SENATE—*Thursday, May 9, 1974*

The Senate met at 9:30 a.m. and was called to order by the President pro tempore (Mr. EASTLAND).

PRAYER

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

O Lord, send us to our tasks this day with a sense of Thy presence and an inward assurance of Thy guidance. Give direction to our program, inform our minds, sharpen our judgment, and enable us to do only those things which are pleasing in Thy sight. In weakness refresh us, in stress quiet us, in temptation guard us. When evening comes, grant us the rest of those who have followed Thee with a pure heart.

Through Jesus Christ, our Lord. Amen.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Wednesday, May 8, 1974, be dispensed with.

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

COMMITTEE MEETINGS DURING SENATE SESSION

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

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

EXECUTIVE SESSION

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

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

U.S. POSTAL SERVICE

The PRESIDENT pro tempore. The clerk will state the first nomination.

The second assistant legislative clerk read the nomination of Hayes Robertson, of Illinois, to be Governor of the U.S. Postal Service.

The PRESIDENT pro tempore. Without objection, the nomination will be considered and confirmed.

DEPARTMENT OF JUSTICE

The second assistant legislative clerk proceeded to read nominations in the Department of Justice.

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

The PRESIDENT pro tempore. Without objection, the nominations will be considered and confirmed en bloc.

Mr. MANSFIELD. Mr. President, I request that the President be immediately notified of the confirmation of the nominations.

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

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate return to legislative session.

There being no objection, the Senate resumed the consideration of legislative business.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION AUTHORIZATIONS, 1975

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate turn to the consideration of Calendar No. 796, H.R. 13998.

The PRESIDENT pro tempore. The clerk will state the bill by title.

The legislative clerk read the bill by title, as follows:

A bill (H.R. 13998) to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and research and program management, and for other purposes.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Aeronautical and Space Sciences with an amendment to strike out all after the enacting clause and insert:

That there is hereby authorized to be appropriated to the National Aeronautics and Space Administration:

(a) For "Research and development," for the following programs:

(1) Space Shuttle, $800,000,000;

(2) Space flight operations, $318,300,000;

(3) Advanced missions, $1,500,000;

(4) Physics and astronomy, $140,515,000;

(5) Lunar and planetary exploration, $264,000,000;

(6) Launch vehicle procurement, $143,500,000;

(7) Space applications, $200,500,000;

(8) Aeronautical research and technology, $171,500,000;

(9) Space and nuclear research and technology, $74,800,000;

(10) Tracking and data acquisition, $250,000,000;

(11) Technology utilization, $5,500,000;

(b) For "Construction of facilities," including land acquisition, as follows:

(1) Addition to flight and guidance simulation laboratory, Ames Research Center, $3,660,000;

(2) Rehabilitation and modification of science and applications laboratories, Goddard Space Flight Center, $890,000;

(3) Modifications for fire protection and safety, Goddard Space Flight Center, $1,220,000;

(4) Acquisition of land, Jet Propulsion Laboratory, $150,000;

(5) Addition to systems development laboratory, Jet Propulsion Laboratory, $4,880,000;

(6) Addition for integrated systems testing facility, Jet Propulsion Laboratory, $3,790,000;

(7) Modification of water supply system, Lyndon B. Johnson Space Center, $935,000;

(8) Modification of 6,000 pounds per square inch air storage system, Langley Research Center, $515,000;

(9) Rehabilitation of 16-foot transonic wind tunnel, Langley Research Center, $2,990,000;

(10) Modification of propulsion systems laboratory, Lewis Research Center, $2,580,000;

(11) Modification of rocket engine test facility, Lewis Research Center, $660,000;

(12) Construction of X-ray telescope facility, Marshall Space Flight Center, $4,060,000;

(13) Modification of beach protection system, Wallops Station, $1,370,000;

(14) Construction of infrared telescope facility, Mauna Kea, Hawaii, $6,040,000;

(15) Modifications for fire protection and safety at various tracking and data stations, $1,430,000;

(16) Space Shuttle facilities at various locations as follows:

(A) Construction of Orbiter landing facilities, John F. Kennedy Space Center, $15,880,000;

(B) Construction of Orbiter processing facility, John F. Kennedy Space Center, $13,380,000;

(C) Modifications to launch complex 39, John F. Kennedy Space Center, $42,690,000;

(D) Modifications for dynamic test facilities, Marshall Space Flight Center, and National Aeronautics and Space Administration Industrial Plant, Downey, California, $3,920,000;

(E) Construction of Orbiter horizontal flight test facilities, Flight Research Center, $1,940,000;

(F) Modifications for crew training facilities, Lyndon B. Johnson Space Center, $420,000;

(G) Modification of the vibration and acoustic test facility, Lyndon B. Johnson Space Center, $410,000;

(H) Construction of materials test facility, White Sands Test Facility, $790,000;

(I) Modifications for solid rocket booster structural test facilities, Marshall Space Flight Center, $2,590,000;

(17) Rehabilitation and modification of facilities at various locations, not in excess of $500,000 per project, $14,900,000;

(18) Minor construction of new facilities and additions to existing facilities at various locations not in excess of $250,000 per project, $4,500,000.

(19) Facility planning and design not otherwise provided for, $10,900,000.

(c) For "Research and program management," $749,624,000, and such additional or supplemental amounts as may be necessary for increases in salary, pay, retirement, or other employee benefits authorized by law.

(d) Notwithstanding the provisions of subsection 1(g), appropriations for "Research and development" may be used (1) for any items of a capital nature (other than acquisition of land) which may be required at locations other than installations of the Administration for the performance of research and development contracts, and (2) for grants to nonprofit institutions of higher education, or to nonprofit organizations whose primary purpose is the conduct of scientific research, for purchase or construction of additional research facilities, and title to such facilities shall be vested in the United States unless the Administrator determines that the national program of aeronautical and space activities will best be served by vesting title in any such grantee institution or organization. Each such grant shall be made under such conditions as the Administrator shall determine to be required to insure that the United States will receive therefrom benefit adequate to justify the making of that grant. None of the funds appropriated for "Research and development" pursuant to this Act may be used in accordance with this subsection for the construction of any major facility, the esti-

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mated cost of which, including collateral equipment, exceeds $250,000, unless the Administrator or his designee has notified the Speaker of the House of Representatives and the President of the Senate and the Committee on Science and Astronautics of the House of Representatives and the Committee on Aeronautical and Space Sciences of the Senate of the nature, location, and estimated cost of such facility.

(e) When so specified in an appropriation Act, (1) any amount appropriated for "Research and development" or for "Construction of facilities" may remain available without fiscal year limitation, and (2) maintenance and operation of facilities, and support services contracts may be entered into under the "Research and program management" appropriation for periods not in excess of twelve months beginning at any time during the fiscal year.

(f) Appropriations made pursuant to subsection 1(c) may be used, but not to exceed $35,000, for scientific consultations or extraordinary expenses upon the approval or authority of the Administrator and his determination shall be final and conclusive upon the accounting officers of the Government.

(g) Of the funds appropriated pursuant to subsections 1(a) and 1(c), not in excess of $10,000 for each project, including collateral equipment, may be used for construction of new facilities and additions to existing facilities, and not in excess of $25,000 for each project, including collateral equipment, may be used for rehabilitation or modification of facilities: *Provided*, That of the funds appropriated pursuant to subsection 1(a), not in excess of $250,000 for each project, including collateral equipment, may be used for any of the foregoing for unforeseen programmatic needs.

SEC. 2. Authorization is hereby granted whereby any of the amounts prescribed in paragraphs (1) through (18), inclusive, of subsection 1(b) may, in the discretion of the Administrator or his designee, be varied upward 10 per centum to meet unusual cost variations, but the total cost of all work authorized under such paragraphs shall not exceed the total of the amounts specified in such paragraphs.

SEC. 3. Not to exceed one-half of 1 per centum of the funds appropriated pursuant to subsection 1(a) hereof may be transferred to the "Construction of facilities" appropriation, and, when so transferred, together with $10,000,000 of the funds appropriated pursuant to subsection 1(b) hereof (other than funds appropriated pursuant to paragraph (19) of such subsection) shall be available for expenditure to construct, expand, or modify laboratories and other installations at any location (including locations specified in subsection 1(b)), if (1) the Administrator determines such action to be necessary because of changes in the national program of aeronautical and space activities or new scientific or engineering developments, and (2) he determines that deferral of such action until the enactment of the next Authorization Act would be inconsistent with the interest of the Nation in aeronautical and space activities. The funds so made available may be expended to acquire, construct, convert, rehabilitate, or install permanent or temporary public works, including land acquisition, site preparation, appurtenances, utilities, and equipment. No portion of such sums may be obligated for expenditure, or expended to construct, expand, or modify laboratories and other installations unless (A) a period of thirty days has passed after the Administrator or his designee has transmitted to the Speaker of the House of Representatives and to the President of the Senate and to the Committee on Science and Astronautics of the House of Representatives and to the Committee on Aeronautical and Space Sciences of the Senate a written report containing a full and complete statement concerning (1) the nature of such construction, expansion, or modification, (2) the cost thereof including the cost of any real estate action pertaining thereto, and (3) the reason why such construction, expansion, or modification is necessary in the national interest, or (B) each such committee before the expiration of such period has transmitted to the Administrator written notice to the effect that such committee has not objection to the proposed action.

SEC. 4. Notwithstanding any other provision of this Act—

(1) no amount appropriated pursuant to this Act may be used for any program deleted by the Congress from requests as originally made to either the House Committee on Science and Astronautics or the Senate Committee on Aeronautical and Space Sciences,

(2) no amount appropriated pursuant to this Act may be used for any program in excess of the amount actually authorized for that particular program by sections 1(a) and 1(c), and

(3) no amount appropriated pursuant to this Act may be used for any program which has not been presented to or requested of either such committee,

unless (A) a period of thirty days has passed after the receipt by the Speaker of the House of Representatives and the President of the Senate and each such committee of notice given by the Administrator or his designee containing a full and complete statement of the action proposed to be taken and the facts and circumstances relied upon in support of such proposed action, or (B) each such committee before the expiration of such period has transmitted to the Administrator written notice to the effect that such committee has no objecion to the proposed action.

SEC. 5. It is the sense of the Congress that it is in the national interest that consideration be given to geographical distribution of Federal research funds whenever feasible, and that the National Aeronautics and Space Administration should explore ways and means of distributing its research and development funds whenever feasible.

SEC. 6. Section 203(b)(9) of the National Aeronautics and Space Act of 1958, as amended (42 U.S.C. 2473(b)(9)), is amended to read as follows:

"(9) to obtain services as authorized by section 3109 of title 5, United States Code, but at rates for individuals not to exceed the per diem rate equivalent to the rate for GS–18;".

SEC. 7. The National Aeronautics and Space Administration is authorized, when so provided in an appropriation Act, to enter into a contract for tracking and data relay satellite services. Such services shall be furnished to the National Aeronautics and Space Administration in accordance with applicable authorization and appropriation Acts. The Government shall incur no costs under such contract prior to the furnishing of such services except that the contract may provide for the payment for contingent liability of the Government which may accrue in the event the Government should decide for its convenience to terminate the contract before the end of the period of the contract. Title to any facilities which may be required in the performance of the contract and constructed on Government-owned land shall vest in the United States upon the termination of the contract. The Administrator shall in January of each year report to the Committee on Science and Astronautics and the Committee on Appropriations of the House of Representatives and the Committee on Aeronautical and Space Sciences and the Committee on Appropriations of the Senate the projected aggregate contingent liability of the Government under termination provisions of any contract authorized in this section through the next fiscal year. The authority of the National Aeronautics and Space Administration to enter into and to maintain the contract authorized hereunder shall remain in effect as long as provision therefor is included in Acts authorizing appropriations to the National Aeronautics and Space Administration for subsequent fiscal years.

SEC. 8. This Act may be cited as the "National Aeronautics and Space Administration Authorization Act, 1975."

Mr. MOSS. Mr. President, H.R. 13998, as reported by your committee with an amendment and now before the Senate, would authorize appropriations to the National Aeronautics and Space Administration—NASA—for fiscal year 1975.

Before proceeding further, I would like to acknowledge the hard work of the members of the committee and particularly of the ranking minority member, the Senator from Arizona (Mr. GOLDWATER) during the hearings, the mark-up, and other deliberations on this bill. Their wise counsel and complete cooperation have improved the bill, and simplified the task of bringing it to the floor. No chairman could ever wish a more knowledgeable and cooperative ranking member than BARRY GOLDWATER.

I would also like to acknowledge the superb and skillful work of the committee staff who have worked with great diligence to assist the committee on this bill.

Mr. President, the programs spelled out in H.R. 13998 require appropriations totaling $3,267,229,000 for NASA in the coming fiscal year, $20,100,000 more than requested by the administration and $8,145,000 more than approved by the House.

This bill involves about 1 percent of the total Federal budget for the coming fiscal year. But that is not to say we should approve it simply because it is only 1 percent, or because it is so sharply lower than the aeronautics and space budgets of a few years ago. The real question is "What do we get for that 1 percent?"

Mr. President, I submit that this bill deals with the most productive 1 percent of the Federal budget. Programs authorized by this bill provide both the high technology we need for the future and the direct benefits we urgently need today. It is increasingly evident that knowledge and capabilities produced by NASA programs over the past 16 years are affecting virtually every part of our daily lives. Through this capability we are finding new sources of energy and learning how to use energy more prudently. We are able to monitor the effects our activities have on the environment and to conserve our resources. We are learning more and more about the weather. We are communicating more rapidly and far more economically around the world. We are learning to make worldwide crop predictions, to predict earthquakes and tornadoes and perhaps even how to control them. In the field of health, we are developing better diagnostic tools and better methods of treatment. And the list could go on.

The appropriations authorized by this bill would be over one-half billion dollars below the "constant level" NASA budget endorsed by the Congress 2 years ago. We were pleased to note that the Administration budget request for fiscal

year 1975 reverses, in absolute dollars, the downward trend of recent years. But the increase recommended—about 3 percent over the budget plan for the current year—will not keep pace with inflation.

The funding which this bill would authorize is barely adequate, in my view, to maintain a viable research and development effort in aeronautics and space. Continued funding at this level will not provide the kind of aeronautics and space effort this Nation should have and can afford. More and more observers are suggesting that a few years from now we will look back on the early 1970's and wonder why we paid so little attention to the benefits that space activities offer not only for the United States but for all mankind.

Nevertheless, within these harsh funding restraints, the authorization recommended would support a balanced program of great value to the Nation. Essential ongoing programs would be continued, and important new starts made in space science and applications programs.

The details of all programs and major projects are discussed in the committee's report to the Senate, Senate Report No. 93–818. Therefore, in this statement I will only summarize important features of the bill.

Under research and development, there are 11 programs. Your committee, after careful deliberation, recommends that the Senate approve six of those as requested; that two of the programs—space flight operations and lunar and planetary exploration—be reduced; and that three programs—launch vehicle procurement, space applications, and aeronautical research and technology—be increased.

The committee recommends that the Apollo-Soyuz Test project in the space flight operations program be reduced by $5 million, as the testimony shows that the project is being underrun. We also recommend a $2 million decrease in the lunar and planetary program as the committee believes that economies should be made, particularly in light of the 7- to 10-percent overrun in the Viking project.

Mr. President, your committee has recommended that NASA proceed with a third Earth Resource Technology Satellite, referred to as ERTS–C. For that purpose, the committee recommends an increase in the applications program of $13 million for the ERTS–C spacecraft and $3 million for the Delta launch vehicle in the launch vehicle procurement program. In addition, your committee recommends that an additional $2 million be provided in applications program to improve the processing, distribution and utility of ERTS data. The Earth Resource Technology Satellite project has proven to be of immense benefit to a large number of users, both in the United States and other parts of the world. ERTS data has improved man's understanding of the earth's geology, of its agriculture, of its hydrology, of its land and water use and, of course, has provided the data for rapidly making new and updated maps of all kinds.

The ERTS–B satellite, insisted on by the Congress last year, is now scheduled to be launched early in 1975 with a design life of only a year. If ERTS–B lasts as long as ERTS–A, it would continue coverage for about 2 years; but there still would be a gap in providing coverage, since ERTS–C cannot be launched until 3 years after decision to go ahead; this means that the earliest launch date for ERTS–C would be sometime in the latter half of calendar year 1977. Your committee believes that NASA must proceed with a third ERTS satellite during fiscal year 1975 to assure continuity of data to the many users in the Federal Government, in the State and local governments, and in the private sector who are now learning to use ERTS to provide basic data on the world's resources and its environment. To continue to provide this data after ERTS–C, the committee again urges the executive branch of the Government to create the institutional arrangements necessary for managing a fully operational earth resource satellite system.

Mr. President, the committee recommends two other additions to the applications program. We recommend that $2 million be added to the program to expand the NASA research and technology on short duration, violent weather phenomena and so agree with the House in identifying this need as underscored by recent events. The committee also recommends that an additional $6 million be provided for energy-related activities within NASA. Testimony presented to the committee shows that NASA has many meaningful energy efforts underway that have the potential to make significant contributions to the solution of our national energy problems.

Your committee recommends that $5,100,000 be added to NASA's aeronautical research and technology program. Of this amount, the committee identified $1.1 million for increased effort on advanced supersonic technology, with the remainder of $4 million to be applied to the areas of general aviation, aviation safety, and hydrogen fuel technology.

Mr. President, your committee has taken a significant action with respect to the tracking and data acquisition program. On March 8, 1974, the Administrator of NASA requested of the Congress that the National Aeronautics and Space Act of 1958 be amended to permit NASA to enter into a contract to lease tracking and data relay satellite services. This service would permit real time communications with Earth orbital spacecraft and permit closing most of the present ground stations in the worldwide tracking and data network supporting spacecraft in Earth orbit, which would result in substantial savings.

Moreover, as the space program matures, the amount of data being sent back to Earth from spacecraft in Earth orbit is increasing rapidly. With the present system of ground based stations, this means that more and more data must be stored in the spacecraft to be "dumped" as the spacecraft passes over a ground station. These onboard storage systems have been one of the least reliable elements in spacecraft. The tracking and data relay satellite system—TDRSS—would transmit data immediately on acquisition from the Earth satellite to the TDRSS and directly to a ground station in the United States, thereby greatly reducing the onboard storage of the data.

Mr. President, the committee strongly endorses the prompt deployment of a tracking and data relay satellite system.

However, it is less clear whether NASA should contract for the development and operation of a Government-owned system, or for services provided through a private owned TDRSS.

In its action on this bill, the committee recommends that a new section 7 be included to provide authority for NASA to enter into the proposed long-term contract—the lease arrangement—but to specify also that such authority shall remain in effect only as long as provision therefor is included in NASA authorization acts for fiscal year 1976 and subsequent fiscal years. This would mean that NASA would be required to terminate any such contract if, at the time of enactment of the fiscal year 1976 authorization act, that act did not provide continuing authority. The committee has requested, and NASA has agreed, to furnish a detailed analysis comparing the cost of a lease arrangement with the projected cost of a NASA-owned TDRSS during the consideration of the fiscal year 1976 authorization bill, and prior to entering into any long-term contract.

Mr. President, the bill recommended by your committee includes 27 construction projects. In summary, your committee agreed with all of the requests for construction except that it recommends cutting from the bill $4 million requested for the construction of space shuttle solid rocket motor production and test facilities. The solid rocket motor award for the Space Shuttle has been protested to the General Accounting Office. It is your committee's view that if the award finally goes to the contractor selected by NASA, $4 million is not needed whereas, if it should go to the contractor contesting the award, $4 million would not be sufficient. Accordingly, your committee found that the NASA request for this project should be deferred.

There are two other significant actions recommended by your committee with respect to construction of facilities which should be brought to the attention of the Senate. The first is that the committee, as it has in past years, recommends that Space Shuttle construction projects be itemized by dollar amount in the bill. Second, the administration requested that the construction of facilities cost variation of individual projects be increased from 5 to 10 percent to meet unusual cost increases such as significant cost increases in materials. Your committee believes that this is a reasonable request under current economic conditions. It does not increase the total authorization for construction of facilities projects. It merely permits the agency to increase the authorized ceiling for any individual facility project upward by as much as 10 percent, while commensurately reducing the authorized cost of other construction projects.

Mr. President, the administration requested $749,624,000 for research and

program management. Your committee agrees with this request and recommends that it be authorized. Approximately three-fourths of this appropriation is required to pay the salaries and related personnel costs for NASA employees during fiscal year 1975. The NASA work force at the close of fiscal year 1975 is scheduled to have 24,616 permanent positions, requiring a further reduction of 354 positions during the fiscal year. The remaining funds under this authorization are for travel, facility services, technical services, and administrative support, and will be slightly lower than equivalent costs for fiscal year 1974 despite inflation and an increase of $9.4 million due to the requirement that NASA, beginning in fiscal year 1975, reimburse the General Services Administration for all facility space and related services provided by the GSA.

In the bill sent to the Congress, the administration requested that NASA be permitted to obtain the services of consultants at rates not in excess of the daily rate equivalent for a GS–18 civil servant or about $138 per day. Current legislation establishes a ceiling of $100 per day for such services. Your committee believes that this increase is necessary if NASA is to be in a position to obtain appropriate consultant services. Several other Government agencies are authorized to pay up to the equivalent of the GS–18 rate, which is a maximum rate and will not be paid to all consultants.

Mr. President, the NASA authorization bill recommended by your committee for fiscal year 1975 does not provide for all of the programs which many on the committee would like to see NASA undertake. However, the committee believes that the bill recommended by your committee provides a well-balanced program that can meet the minimum needs of our country in space and aeronautics during the next fiscal year.

In closing, Mr. President, let me say that during the last year the NASA programs have provided our country with many magnificent scientific and technological accomplishments. We need only recall the brilliant performance of the Skylab program, the pictures of Jupiter, of Venus and Mercury, with details never before seen by man, the impressive performance of our applications satellites, such as ERTS–A, and new aeronautical technology, such as the test flights of the supercritical wing and fly-by-wire systems which will revolutionize future aircraft.

I think it is important that we all recognize that the rampant inflation and the energy crisis which are impacting every facet of our lives are having a particularly severe impact on high technology programs like those authorized in this bill. Every program that requires scarce or exotic materials, or components and subsystems manufactured "on the bench" rather than by mass production, is beginning to feel the effects of cost increases two or three or more times as rapid as those we have seen so far in the supermarket. We should not be sanguine that long-term cost projections made today, or indeed in recent months, will prove to be accurate, and I do not want my colleagues to act on this bill today on the sublime assumption that every program can be carried out on schedule and within projected costs. But I can assure you that every program in this bill will be worth its actual cost to the American people.

Mr. President, every American can be proud of the accomplishments of NASA, and I urge my colleagues in the Senate to support this authorization bill as reported by your committee.

Mr. President, I ask unanimous consent that a statement prepared by the ranking minority member of the committee, the Senator from Arizona (Mr. GOLDWATER), may appear in the RECORD at this point.

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

STATEMENT BY SENATOR GOLDWATER

I fully support the remarks made by the distinguished Chairman of the Senate Committee on Aeronautical and Space Sciences.

In 1972, the Executive proposed and the Congress agreed to a constant level budget for NASA. The dollar value of this budget was $3.4 billion measured in 1971 dollars. Before us today is a bill that authorizes $3,267,229,000 which is substantially below the constant level budget—especially when inflation is considered.

Since the Senate last considered NASA's budget, there has been at least one important development on the space shuttle program. Commercial markets amounting to at least $2 billion a year have been identified for the space shuttle. These markets include:

	Annual value (in millions)
Space processing area:	
10 typical vaccines	over $1,000
Livestock sperm	422
DC rectification and regulation crystals	100
Tungsten carbide components for oil pumps and valves	60–85
Aircraft turbine blades	36
Acoustic wave devices	100
X-ray targets	18
Glasses (scientific and optical)	10
Computer memory devices	380
Development of small electric motors	56
Total	2,182

Now, the important point is that this $2 billion market is one that exists for space processing and manufacturing. As we move along, I believe further commercial markets for the space shuttle will emerge.

It is becoming a distinct possibility that the space shuttle will repay its R. & D. costs many times over.

Unfortunately, the NASA authorization only provides $17,500,000 for aeronautical research and technology.

In hearings held before the Senate Committee on Aeronautic and Space Sciences on H.R. 13998, it was amply demonstrated that America's global aircraft market is under assault. The Russians, the French, the Germans, the British, and the Japanese are beginning to move out.

If we fail to provide the necessary aeronautical R. & D., there will come a time when America's export of aviation products will be wiped out. Currently, aeronautical exports amount to about $4 billion a year. With the cost of energy going up, we cannot afford to lose these markets.

Mr. President, the aerospace R. & D. of this Nation has yielded tremendous benefits over the past four decades:

Aviation played a decisive role in a global war.

Routine air travel was established across the oceans and around the world.

The sound barrier was broken and supersonic flight became routine.

And man set foot on the moon.

The advancement in technology has been staggering and the benefit to mankind incalculable.

In a world evermore competitive in aerospace development, I submit these should be our national goals:

We must push advanced propulsion.

We must build modern aeronautical research facilities.

We must pursue research in supersonic and hypersonic aircraft.

We must put as much emphasis on performance as we do on pollution and noise.

The economic and spiritual well-being of the Nation demand that we push the frontiers of knowledge and technology. Most important of all, we can provide a better and fuller life for all Americans.

Mr. President, I commend to my colleagues H.R. 13998 as reported to the Senate. It is a worthy measure deserving of support.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time, and passed.

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I do not seek recognition. I suggest the absence of a quorum.

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

The second assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

TRANSCRIPTS OF TAPES SUBMITTED BY THE PRESIDENT: PUBLIC TRANSCRIPTS—V

Appendix 14. Meeting: The President, Haldeman and Ehrlichman, EOB Office, April 14, 1973. (8:55–11:31 a.m.):

(Material unrelated to Presidential actions deleted.)

P. Did you reach any conclusions as to where we are.

E. No conclusions. Dick Wilson, I think, has an interesting column this morning (unintelligible). It's all a money problem. Unintelligible. Well, yes—

P. Wilson's in the Star.

E. (Unintelligible)

P. So what—?

H. (Unintelligible) is really the essence of this whole thing is too much money. Too much was spent. And so I—

P. Yeah. My point, everybody—

H. No not everybody. Let's say, one group, pieces that (unintelligible) has on that side and more like (unintelligible) says that his, you know, solving Watergate doesn't take care of it.

P. Lots of people, I think want the President to speak out on the whole general issue of money and campaign and all that.

E. Generally, but he gets specific on this. He says also (unintelligible)

P. Is that what you think, go out and make a speech?

E. I'll tell you what I think. I think that the President's personal involvement in this is important. And I know——

P. I don't think it's a speech. Well, that's

a point. I think there are other ways you can get at it. Now I was thinking of the—before we get into that though let's get back. I'd like to go in, if I could, to what your conversation with Colson was and in essence, what did he and the lawyer tell you about?

E. That visit was to tell me that Hunt was going to testify on Monday afternoon.

P. How does he know that? How does he get such information?

E. Undoubtedly through Bittman.

P. Right.

E. Or Bittman to Shapiro(?)

P. Now why is Hunt testifying? Did he say?

E. He said, I'll tell you what he said and then I'll tell you what I think the fact is. He said Hunt was testifying because there was no longer any point in being silent. That so many other people were testifying, that there was no—he wasn't really keeping any (unintelligible).

P. Yeah.

E. It wouldn't add much. My feeling is that Bittman got very nasty.

P. Why.

E. This grand jury started focusing on the aftermath and he might be involved.

H. Exactly.

P. What did he say?

E. He went to the U.S. Attorney and he said, "Maybe I can persuade my client to talk."

P. What do Colson et al, Colson and Shapiro, think we ought to do under these circumstances? Get busy and nail Mitchell in a hurry?

E. Yes.

P. How is that going to help?

E. Well, they feel that after he testifies that the whole thing is going to fall in in short order.

P. Right.

E. Mitchell and Magruder will involuntarily be indicted. Both will say you have lost any possibility of initiative for participation in the process.

P. What does Colson want us to do?

E. He wants you to do several things. He wants you to persuade Liddy to talk.

P. Me?

E. Yes, sir, That's his—I didn't bring my notes, but, basically

P. Oh. Last night you didn't mention that.

E. I thought I had.

P. Maybe you did, maybe you did. I would need to let—bring Liddy in and tell him to talk?

E. You can't bring him in. He's in jail.

P. Oh.

E. You would send, you send word to him, of course through a spokesman or in some way you would be activist on this score.

H. There's no, that doesn't involve any real problem. As Dean points out, he is not talking 'cause he thinks he's supposed not to talk. If he is supposed to talk, he will. All he needs is a signal, if you want to turn Liddy on.

P. Yeah. But the point—that Colson wants to call the signals. Is that right?

E. He wants you to be able to say afterward that you cracked the case.

P. Go ahead. What else?

E. Well I forget what else. You remember, Bob, when I was busy (unintelligible). He feels that the next forty-eight hours are the last chance for the White House to get out in front of this and that once Hunt goes on, that's the ball game.

P. But you've got to be out in front earlier?

E. Well,—

P. But, I mean to go public—

E. Either publicly, or with provable, identifiable steps which can be referred to later as having been the proximate cause.

P. He's not talking because he thinks the President doesn't want him to talk? Is that the point?

E. He's—according to them, Mitchell's given him a promise of a pardon.

P. Bittman?

E. According to Colson and Shapiro.

P. I don't know where they get that. Mitchell has promised Liddy a pardon?

E. Yes, sir.

P. Another point that Colson may not have mentioned, I have an uneasy feeling that that Magruder story may have been planted.

H. No.

P. Is it true?

H. There is a third Magruder phone call which I have heard that says—

P. That he did talk to the reporter?

H. Says he did talk to a reporter on Monday, and did not say any of the things he is reported to have said; that what he, that it wasn't an important conversation. He said he gave the reporter the same line.

P. Yeah.

H. That you know. In listening to Magruder's thing, I was convinced he wasn't completely telling the truth (unintelligible) what he was saying. As you get into it, I'm convinced that its, (unintelligible) that part was pretty much (unintelligible). However—

P. Yeah. But you come—and these people you put together now. But if you come to Magruder, where in the hell does Colson get such a thing? Or is Colson a liar or—

E. Shapiro says he has a very good press contact who has proved very reliable to him. He says his practice in this town depends on his knowing what is going on. And he's told his press contact, This is one of the

P. He says he's talked to Magruder, Magruder said——

E. And they've now told us—we'll never get the chance—unintelligible

P. Does Magruder know about—

E. Magruder may have talked to some of the press and that that was (unintelligible)

P. But in a great detail, Colson (unintelligible) that he nailed Bob Haldeman. The way Colson said, he said he had Colson and two, but not any way that's particularly bad. Right?

E. Well I think, I think like on so many things this got, this got planted as a little seed by Shapiro with Colson and that it grew and apparently

P. Uh, uh.

H. I would guess what's happened is he's got this report from, Colson does, from Danny Hofgren that at the bar in the Bahamas with (unintelligible) someone (unintelligible) one night said to Hofgren everybody was involved in this. He didn't—

E. Everybody knew about it?

H. Mitchell, Haldeman, Colson, Dean, the President

P. Magruder—

E. He said, he specifically said the President.

P. Magruder does believe that, does he?

H. No. I've got it—

P. I just wonder if he believes (unintelligible). Does he believe it, John?

E. No. He tape recorded this thing. Higby handled it so well that Magruder has closed all his doors now with this tape.

P. What good will that do John?

E. Sir, it beats the socks off him if he ever gets off the reservation.

P. Can you use the tape?

E. Well no. You can use Higby.

P. Why not—

E. Well, it's illegal.

H. No, it's not. It is not.

P. Don't you have to tell somebody—

E. Put a beeper.

H. There is no beeper required. Check the Washington law.

P. Yeah.

H. District of Columbia is under federal law and the federal law does not require disclosure to the other party of the recording of phone conversations. The phone call was made to Magruder's lawyer's office which is also in the District of Columbia so both ends of the conversation were in the District of Columbia and there is no law requiring disclosure.

E. (Unintelligible.)

P. Well, anyway—

H. It cannot be admissible, but it's legal.

P. That's interesting. That's a new one. (Unintelligible) now and then, any way. I never heard anybody beep and I know that—

H. No. It all depends on where you are. The basic law in most states is that you must disclose to the other party that you're recording the conversation.

P. Yeah. What is the situation—I'll get past this in a hurry. What is the situation, John, in your opinion on what was Colson's and/or Shapiro's motive in building up the Magruder story? Maybe they believe it?

E. Their innuendo is that Mitchell has put Magruder up to this.

P. I guess not. OK. There is the motive. Now, let me come to something else.

H. I don't believe that Magruder's—

P. I don't either. Not at all.

H. I believe Mitchell has tried to.

P. Huh?

H. I believe Mitchell tried to. To keep Magruder's faith because he refers to Mitchell and says now that I have decided to talk I am going to have to tell Mr. Mitchell and he's going to be very unhappy with me because he's told me not to.

E. (Unintelligible) Magruder's an emotional fellow ready to crack. I have no doubt that he's ready to talk.

P. What is it? He hasn't been subpoenaed, has he?

E. Well, he won't be. But he's already been there.

P. But they won't give him a chance to

E. He doesn't think they'll give him a chance to go back unless he comes running at them and strokes them.

H. Let's say they don't call the suspects and—and (b) they don't recall perjured witnesses.

P. What would you do if you were his lawyer? Wouldn't you advise him to go in and try and purge himself? At least gets rid of one charge, doesn't he?

E. I'm not sure he's rid of it, but it certainly reduces it when he comes in voluntarily.

P. The way I understand it under the law, John, if he were to under the—

E. Well, you don't—you see there's contrary evidence already here—

P. I see.

E. In other words, —

P. Strachan—Strachan got in before there was contrary evidence.

E. Exactly. Exactly

P. John,—

H. I want to talk to Magruder.

E. And you take the circumstances, now

P. They better have—

E. If it's known, if it's known, for instance, that Hunt is going to come in and testify then Magruder comes rushing in and says I want to tell all, it's, you know

P. Magruder's got no hope now?

E. Yeah, but I think he could improve it. I think he really could help and purge himself.

P. Turn Bob on him. I come to the other things that you talked to Colson about. I was going to talk—what is Hunt going to say? Do we have any idea?

E. Yes—

P. He says, for example, will he say that Colson promised him clemency?

E. No. Apparently not.

P. You see the only possible involvement of the President in this is that, now apparently John, either you or Bob or Dean, somebody told me they said, told Colson not to discuss it with me.

E. I did.

P. You did? How did it get to you then John? How did you know that the matter had to be discussed with Bittman or something like that?

E. Well, I—

P. When did this happen? As I remember a conversation this day was about five thirty or six o'clock that Colson only dropped it in

sort of parenthetically, said I had a little problem today, talking about Hunt, and said I sought to reassure him, you know, and so forth. And I said, well. Told me about Hunt's wife. I said it was a terrible thing and I said obviously we will do just, we will take that into consideration. That was the total of the conversation.

E. Well, I had, we had had a couple of conversations in my office—

P. With Colson?

E. I had with Colson. Yeah.

P. Well how was, who was getting, was Bittman getting to Colson? Was that the point? Who—

E. Hunt had written to Colson.

P. Oh?

E. Hunt wrote Colson a very, I think a I've been abandoned kind of letter.

P. When was this, John?

E. I am sorry—

P. After the election?

E. Oh yes. Yeah.

P. Oh. And Colson, you knew about this letter?

E. Colson came in to tell me about it. And he said, "What shall I do?" And I said, "Well, better talk to him." I thought somebody had better talk to him, the guy is obviously very distraught.

P. Right.

E. And has a feeling abandoned.

P. Right.

E. And he said, "What can I tell him about clemency or pardon." And I said, "You can't tell him anything about clemency or pardon." And I said, "Under no circumstances should this ever be raised with the President."

P. (Unintelligible). Well, he raised it, I must say, in a tangential way. Now he denies that, as I understand it, that he said they'd be out by Christmas. He says—

E. I've never talked to Chuck about that, have you?

P. What did he say he said? Well, I'll tell you what I, what Dean, or somebody, tells me he said he said. He said that he didn't. He just talked or saw Bittman casually—were off on (unintelligible) or something of that sort.

E. Bittman?

P. That was it.

E. Oh.

P. And he said to Bittman, he said, "I—

E. Well, now, that—

P. He said, "I, I had given," he said, "I know about Hunt's concern about clemency. I, Chuck Colson feel terrible about it, 'cause I knew his wife." And he said, "I will go to bat for him and I have reason to believe that my views would be listened to." Well its the last part that might in any way remain, although—

E. He says he talked with Bittman, that he was very skillful in avoiding any commitment. He says that Bittman was pitching him, but that he wasn't catching 'em. And he might have a tape of that meeting or a tape of the conversaton or some such thing.

H. That's where he lost his thread, then. He said you and Dean told him to promise clemency, but that he was smarter than you and didn't.

P. He doesn't say you and Dean promised?

H. That Ehrlichman and Dean told him to promise Bittman.

P. Well, anyway. I better change my (unintelligible). Let me ask the question.

H. This is a little strange.

P. Well, just so you—let's see, does he indicate that Hunt's going to talk to that subject, for example? The promise of clemency?

E. He didn't say that. He didn't say that. I didn't ask him.

H. Well we've got to go on the basis, John—as I recall, they don't have anything to indicate—we don't know how they know what Hunt's going to testify. We assume that Bittman told them.

E. Right.

H. We don't, they don't have any indication based on their knowledge that Hunt's going to testify, of what Hunt is going to testify to, except on the basis of Shapiro's meeting with Hunt—

E. The other day.

H. The other day. And that is assuming what Hunt told Shapiro is what he will tell the Grand Jury, but I don't know why they'd have any reason to assume that.

E. Shapiro's general comment was that Hunt would corroborate a lot of McCord's hearsay.

P. Yeah.

E. But that it also would be hearsay.

P. All right. Hunt, however, and this is where Colson comes in right? Hard. Hunt could testify on Colson's (unintelligible).

H. Yeah—but what they said he said,

P. Has it—

H. On the coverup, what he said.

P. Now wait a minute. I'm talking about something else. We're talking about when he and Liddy are in the office with Colson. Colson picked up the phone and calls Magruder. All right?

H. Sure.

P. Now, Colson says that they didn't discuss the (unintelligible) then. But Hunt could say, I went in and I showed this whole thing to Colson and Colson told me—picked up the phone and talked to Magruder. Does Colson realize his vulnerability there?

E. Well, Colson claims he has no vulnerability, because when Hunt and Liddy came in to talk to him they talked in very general terms.

P. I understand that.

E. So, he doesn't acknowledge that there's any possibility.

P. I understand that, but I am just simply saying,

E. I think you're right.

P. That Hunt and Liddy could assert, could charge that—that's the point. If they talk, I would assume they would get into that point with them, any cross-examiner.

E. I've asked Colson specifically about that conversation and he maintains that they were talking in general terms about intelligence and when they said intelligence he meant one thing and apparently they meant another.

P. Question, for example, is Hunt prepared to talk on other activities that he engaged in?

E. Well, I think, I couldn't derive that.

P. You mean is he going to blow the White House on the—

E. I couldn't get that at all.

P. The U.S. Attorney, I would assume, would not be pressing on that.

E. Ordinarily not. McCord volunteered this Hank Greenspun thing, gratuitously apparently, not—

P. Can you tell me is that a serious thing? Did they really try to get into Hank Greenspun?

E. I guess they actually got in.

P. What in the name of (expletive deleted) though, has Hank Greenspun got with anything to do with Mitchell or anybody else?

E. Nothing. Well, now, Mitchell. Here's—Hughes. And these two fellows, Colson and Shapiro, Colson threw that out.

P. Hughes on whom?

E. Well, you know the Hughes thing is cut into two factions—I don't even know—but they're fighting.

P. Yeah.

E. Bennett, Senator Bennett's son, for whom Hunt worked.

P. Oh?

E. Represents one of those factions.

P. So he ordered the bugging?

E. I don't know. I know the (unintelligible) say it's a bag job.

H. They busted his safe to get something out of it. Wasn't that it?

E. No. They flew out, broke his safe, got something out (unintelligible). Now as they sat there in my office—

P. Other delicate things, too. You've got apart from my, from my poor brother, which unfortunately or fortunately was a long time ago but, more recently, you've got Hubert Humphrey's son works for him and, of course, they're tied in with O'Brien I suppose. But maybe they were trying to get it for that reason.

E. I don't know why. The two of them put on a little charade for me in the office.

P. Shapiro and Colson?

E. Yes, we talked about this and it may have been genuine and it may not.

P. But they didn't know anything about it?

E. No. They said, one said to the other, "Say, that may have something to do with the New York Grand Jury," meaning the Vesco Grand Jury which is a runaway and which is into—

P. You think Colson knew about that?

E. I don't know. I don't say he knew about it. I said, he says he doesn't know even who Hank Greenspun is.

P. (Unintelligible.)

E. I'll take him at face value on that one.

P. You didn't know that either?

E. I know very well who he is.

P. All right. Let me just take a minute further and run out the Hunt thing, and then the Grand Jury, I want to get all the pieces in my mind if I can.

E. Sure.

P. Hunt's testimony on pay-off, of course, would be very important.

E. Right.

P. Is he prepared to testify on that?

E. Apparently so, that's what they say, that he will, and that he will implicate O'Brien and Parkinson. And then, of course—

P. O'Brien and Parkinson?

E. The lawyers.

P. Were they the ones that talked to Hunt?

E. Well, he says they were and that they handed him the money. He in turn handed it to his wife and she was the go-between for the Cubans.

P. Yeah. For what purpose?

E. Well, I think he'll hang 'em up on obstruction of justice.

P. Can Hunt do that?

H. How can he do that? Why would he simply—why doesn't he accomplish his purpose simply by saying they gave them money to handle their legal fees?

E. Well, (unintelligible) out there apparently.

P. Now this is—I don't think you—this is what Colson tells you guys?

H. Right.

E. I don't have any other information on this.

P. Hunt then is going to go. Now that raises the problem on Hunt with regard to Kalmbach. He has possible vulnerability as to whether he was aware, in other words, the motive, the motive,—

E. This doesn't add anything to do with Kalmbach's problem at all.

P. What happened on that? Dean called Kalmbach? And what did Dean call Kalmbach about?

E. He said we have to raise some money in connection with the aftermath, and I don't know how he described it. Herb said how much do you need, and

P. It was never discussed then?

E. Presumably Dean told him, and Herb went to a couple of donors and got some money and sent it back.

H. Dean says very flatly that Kalmbach did not know the purpose of the money and has no problem.

P. Dean did know the purpose? Hunt testifies—so basically then Hunt will testify that it was so-called hush money. Right?

E. I think so. Now again, my water can't rise any higher than source.

P. I understand.

E. But that's what—

P. Where does that serve him, let me ask?

H. John,—Would it serve him?

E. The only thing it serves him is to—

P. Would it reduce his sentence?
E. Have his sentence reduced.
H. He'd served the same purpose by not saying it was hush money, by saying it gave it to these guys I had recruited for this job and I
P. I know.
E. I agree.
H. —was concerned about their family—
P. That's right, that's what it ought to be and that's got to be the story that
H. Unintelligible.
P. Will be the defense of these people, right?
E. Only defense they have, (unintelligible) and so forth.
H. That was the line they used around here.
P. What?
H. That was the line they used around here. That we've got to have money for their legal fees and family.
P. Support. Well, I heard something about that at a much later time.
H. Yeah.
P. And, frankly, not knowing much about obstruction of justice, I thought it was perfectly proper.
E. Well, it's like—
P. Would it be perfectly proper?
E. The defense of the—
P. Berrigans?
E. The Chicago Seven.
P. The Chicago Seven?
H. They have a defense fund for everybody.
P. Not only a defense fund—they take care of the living expenses, too . . . Despite all this about legal fees, they take care of themselves. They raise—you remember the Scottsboro case? The Communist front raised a million dollars for the Scottsboro people. Nine hundred thousand went into the pockets of the Communists. So it's common practice.
E. Yeah.
P. Nevertheless, that Hunt then saying there was a pay-off. All right. Hunt, on other activities—Hunt then according to Colson was not—I don't know what Colson meant about the door of the Oval Office.
E. I'll have to get back on that. Shapiro was there and I didn't want to get into it.
P. Right.
H. (Unintelligible).
P. No, not. It was an earlier conversation about the Magruder conversation when Colson—I think the Magruder conversation from what I have seen related—
H. Magruder doesn't go to the door of the Oval Office. He doesn't even come to visit me in the White House.
P. I know. But he—it is Colson's view that Magruder's talking would have the effect of bringing it there because of the—I think what he is really referring to, John, is that by reason of Colson, by reason of Magruder nailing Haldeman and Colson, that that's the door of the Oval Office. I don't know what else because there's nobody else around, nobody physically around.
H. Magruder isn't going to nail Haldeman and Colson.
P. Well, let's see. I don't think so either but—
H. (Unintelligible).
P. Well that, that tape is invaluable, is it not?
E. Then I would suggest, Bob, that you keep it.
H. And I'll disregard (unintelligible).
P. Let me just say a couple of things that we have to get there.
H. When we come to that, he'd say.
P. With regard to your, regard to your views, and so forth, John, now I was told the other day, last night, John, you and Bob or somebody—I guess you and I were talking about somebody going to see Mitchell. You suggested Rogers. Got any other better names?
E. Well, I've been up and down the list.
P. Why did you suggest Rogers?
E. Well, I suggested Rogers because—
P. First let me tell you—the purpose of the mission and tell me what it is.
E. The purpose of the mission is to go up and bring him to a focus on this: The jig is up. And the President strongly feels that the only way that this thing can end up being even a little net plus for the Administration and for the Presidency and preserve some thread is for you to go in and voluntarily make a statement.
P. A statement (unintelligible).
E. A statement that basically says—
H. He's got to go beyond that.
E. "I am both morally and legally responsible."
P. Yeah.
E. Now, the reason for Rogers is that he is clean, number one. He has been both Attorney General and has this other investigatory and Senatorial background. And there isn't anybody that Mitchell trusts, except Haldeman.
P. He hates Rogers.
E. I understand.
H. Doesn't trust Rogers but he would know if Rogers came that it was you.
E. Now, the only other alternative, going up and down the list.
H. From a public viewpoint Rogers is the dean of the Cabinet and is the logical man as an attorney, and former Attorney General.
P. From a public viewpoint, that may be but also
E. Take the reasons not to do this——
P. You thought of those?
E. Oh, yeah. Yeah. There have consistently been—you go back to the history of this——
P. I know, now is the time to do something. I agree with you.
E. Now is the only time, probably, and I am persuaded by that argument.
P. Oh, I am too. I am not arguing about not doing it. I am just saying, what about the names?
E. OK. In going down the list, John Alexander is the only other one that I have come to that in any way could bridge it. Garment can't do it.
P. Let me give you another name.
P. Ken Rush. He is a fine lawyer, utterly clean. A longtime friend of Mitchell. Not a close friend, but he's known him, you know, in New York and that group, up there you know, they sort of ran together. Rush would understand it all. Mitchell does not hate him.
E. I just don't know how able Rush is. You've got—I just don't know. Another name, there are two other names that have occurred to me that I'll throw out. One's Elliot Richardson and the other is Kleindienst. There is another possibility and that's Henry Petersen. That, of course, well,
H. But he's in the prosecutorial end.
P. That's right. And so is Kleindienst.
E. Yeah.
P. Kleindienst revealing to Mitchell that he had contact with the Grand Jury and all of that is wrong.
E. I must say I am impressed with the argument that the President should be personally involved in it at this stage.
P. Right. I agree.
E. Old John Dean had an interesting—got a phone call from him about twelve-thirty.
P. And you were here—
E. Oh, no. I was working on something I'll tell you about here.
P. What did you do?
E. Well, not much last night.
P. You mean another subject?
E. Oh, no.
H. There is no other subject?
E. No. I'll tell you. Last night I got home I decided that I would sit down and try to put on paper a report to you what I have been doing since you asked me to get into this.
P. Right.
E. I am concerned about the overall aspect of this and I want to talk about that before—I don't know what your timing is like.
P. No problem.
E. We'll probably get back to it.
P. Got plenty of time.
E. But Dean called and he said, "All right, here's a scenario which we've all been trying to figure out to make this go." He says, "The President calls Mitchell into his office on Saturday. He says, "John, you got to do this. And here are the facts. bing, bing, bing, bing." And you pull this paper out here. "And you've got to go do this. And Mitchell stonewalls you. So then, John says, "I don't know why you're asking me down here. You can't ask a man to do a thing like that. I need a lawyer. I don't know what I am facing—you just really can't expect me to do this." So the President says, "Well, John, I have no alternative." And with that the President calls the U.S. Attorney and says, "I, the President of the United States of America and leader of the free world want to go before the Grand Jury on Monday."
P. I won't even comment on that.
H. That's a silly—
P. Typical of the thinking of—
E. We're running out every line. So that was 12:30 this morning. I, but I—
P. I go before the Grand Jury. That's like putting Bob on national television,—
H. With Dan Rather.
P. What?
H. With Dan Rather.
P. Well by putting it on national television, period. (unintelligible)
E. Let's take it just as far as you call Mitchell to the oval office, as a—
P. No.
E. I'm essentially convinced that Mitchell will understand this thing.
P. Right.
E. And that if he goes in it redounds to the Administration's advantage. If he doesn't then we're—
P. How does it redound to our advantage?
E. That you have a report from me based on three weeks' work; that when you got it, you immediately acted to call Mitchell in as the provable wrong-doer, and you say, "My God, I've got a report here. And it's clear from this report that you are guilty as hell. Now, John, for (expletive deleted) sake go on in there and do what you should. And let's get this thing cleared up and get it off the country's back and move on." And—
H. Plus the other side of this is that that's the only way to beat it now.
P. Well,—
H. From John Mitchell's personal viewpoint that's the only salvation for John Mitchell. I see no other way. And, obviously, once you've had it, you've got to admit—
P. How can he make it, anyway.
H. Another factor, in that, to consider, for what it's worth, is the point Connally made to me in that conversation we had.
P. I ought to talk to Mitchell?
H. I don't know whether he said that to you or not. He made the point that you had to get this laid out and that the only way it could hurt you is if it ultimately went to Mitchell. And that that would be the one man you couldn't afford to let get hung on this.
P. Even worse than (unintelligible) thought.
H. He thought so.
P. That's true. Yeah.
H. It seemed to me, because he's the epitome of your hard-line.
P. I think he's wrong about that. I think this is the worst one, well, due to the closeness to the President at the time of the crime. Would you agree, John?
E. (unintelligible) the—
H. But, what Connally also said was unless it's the President himself who nails him. Then the President is (unintelligible)
E. Can I put in a larger picture on this? We kind of live day to day for these things, and forget.
P. Yeah.
E. the perspective then will be put on this period.

H. Yeah.

E. three months later.

P. The point is whether or not, I think I've got the larger picture, alright, and I mean, in this regard, the point is this that we need some action before, in other words, is like my feeling about having the Grand Jury do it and the court system do it rather than Ervin Committee. Now we want the President to do it rather than the Grand Jury.

E. No.

P. And I agree with that.

E. Well, you're doing it in aid of the Grand Jury.

P. No. I didn't mean rather than the Grand Jury but I mean to worm the truth, now look, the Grand Jury doesn't drag him in, he goes in as a result of the President's asking him to go in.

H. Ok—but while you're on that point could I argue a contrary view for a minute? Because I don't agree with that.

P. Yeah.

H. I strong feel, thinking it through, with all the stuff we talked about last night, that we don't want the President in it, and that the solution here, if we can find it—maybe it's impossible—

P. Is for (unintelligible) to come voluntarily?

H. Well, or for Magruder to come voluntarily and nail it. But if the solution is—I agree with some—

P. Where does Magruder come to? To me?

H. No. The U.S. Attorney.

P. Why does, what if I urged Magruder to—I mean, let me look at this. The urging of Liddy to testify, the urging of Magruder to testify and Mitchell. John run those by. I didn't mean to stop your analysis but I think I know what you're—isn't that really the essence of it?

E. I'm trying to write the news magazine story for next Monday.

P. Right.

E. Monday week. And if it is that "Grand Jury indicts Mitchell"

P. Right.

E. "The White House may have its cover up finally collapse last week when the Grand Jury indicted John Mitchell and Jeb Magruder"

P. Right.

E. "Cracking the case was the testimony of a number of peripheral witnesses who, each of whom contributed to developing a cross triangulation and permitted the Grand Jury to analyze it" and so on and so forth. The final straw that broke the camel's back was the investigators discovery of this and that and the other thing." That's one set of facts. And then the tag on that, is "White House Press Secretary Ron Ziegler said that the White House would have no comment."

P. I know. I know. It can't be done.

E. The other one goes: "Events moved swiftly last week, after the President was presented with a report indicating for the first time that suspicion of John Mitchell and Jeb Magruder as ringleaders in the Watergate break-in were facts substantiated by considerable evidence. The President then dispatched so and so to do this and that and maybe to see Mitchell or something of that kind and these efforts resulted in Mitchell going to the U.S. Attorney's office on Monday morning at nine o'clock, asking to testify before the Grand Jury. Charges of cover-up by the White House were materially dispelled by the diligent efforts of the President and his aides in moving on evidence which came to their hands in the closing days of the previous week."

P. I'd buy that.

E. OK.

P. You won't, so get down to the tactics?

E. Now, I've been concerned because since the end of March, I have turned up a fair amount of hearsay evidence that points at this (unintelligible). Now, just take—

P. So did Dean.

E. So did John.

P. So did Dean.

E. Now taking this.

P. Yet he tried, very honestly, he tried to look at it the best way he could. Maybe he could and maybe he really didn't know.

E. Well, its hearsay. And so, you don't hang a guy, you don't hang a guy—

P. And, also, we are going to remember Mitchell has denied it.

E. But I sit over there in Bob's office and listen to that tape of one of the co-actors saying flat out on the tape that he was guilty and that Mitchell was (unintelligible) going to force our fall, and—

P. Did he say that? Did he say that?

E. Yeah.

P. Well, we can't—

E. And I said to myself, "My God. You know, I'm a United States citizen. I'm standing here listening to this, what is my duty?"

P. Well the point is you've now told me. That's the problem.

E. That's correct. That's correct.

P. See the difference is that the problem of my position up to this time has been quite frankly, nobody ever told me a damn bit of this, that Mitchell was guilty.

E. That's right.

H. Well we still don't know. I will still argue that I think the scenario that was spun out, that Dean spun out on Mitchell is basically the right one. I don't think Mitchell did order the Watergate bugging and I don't think he was specifically aware of the Watergate bugging at the time it was instituted. I honestly don't.

E. That may be.

(Material unrelated to Presidential actions deleted.)

P. What did he say? What did he tell Moore?

E. Well, remember I asked Moore to find out what Mitchell had testified to.

P. Yeah. Moore heard the testimony and said well you're not—

E. He was never asked the right questions. Now, as far as he

H. He probably didn't to the Grand Jury, either.

E. That's right. As far as the quality of the evidence is concerned—

(Material unrelated to Presidential actions deleted.)

E. Well, to go back to the

P. All right. I only mentioned (unintelligible) because, let me,—go ahead with your—

E. Well, all I was going to say is that—

P. All right. I now have evidence that—

E. You don't have evidence if I—

P. I'm not convinced he's guilty but I am convinced that he ought to go before a Grand Jury.

E. What I did last night and this morning was to write out what would in effect be a report to you.

P. Right.

E. Of this (unintelligible) deliver it to you.

P. John,

(Material unrelated to Presidential actions deleted.)

P. I know. All right. Let's come around again, though. You know the case. You conducted the investigation for me. You have reported to me, and I have asked you to go up and lay it on the ground to Mitchell and to tell Mitchell, look, there is only one thing that can save him. I think John's got to hear that kind of talk and I think he's got to hear it from somebody that doesn't have—I was thinking of bringing Rogers in and telling him all of this stuff, but Mitchell will wind him around his finger. Well, there's our problem.

E. If you want me to go, I'll go.

P. (unintelligible) But the message to Garcia has got to be carried.

E. Bob has a pretty good feel of Mitchell's attitude toward me that I don't have.

P. Well, Mitchell's attitude toward you is not going to be hurt—it isn't going to be any better for Rogers. It would be toward Rush, but how can you—Rush is smart and he is tough. He's a good man and he's a man, incidentally, that we can consider—

E. He can't argue the facts of this case.

P. The point is, Rush, is a man that if you need a special man in the White House. I was thinking last night that he is the best man I can think of to bring over to advise the President on this thing and examine all the White House things, to look at all the FBI files, to look at the Jury report, Dean report, FBI files and give me a report. He is articulate, he's (unintelligible), he's respected. He's one of the towering figures in the Ambassadorial world and in the bar. He's no slouch.

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E. "He has not involved himself in this matter as your counsel for several months and properly so. I should not continue to fill in for him," meaning me, "for several reasons, including the impermissable demands on my time that were involved. You need a full time special counsel to follow these related problems who can advise you of the legal niceties from his experience in constitutional, criminal and (unintelligible) law practice. I'll be happy to continue to consult with him, etc. I do not recommend that Dean take a leave. That is neither in nor out. He has involved himself to the extent described above. Either that requires dismissal, or it does not. And that choice should be made at once. If he is discharged, the U.S. Attorney and the Grand Jury should be (unintelligible)." But I think you've got to bite the bullet on Dean, one way or the other, pretty quick.

H. All right, but recognize that that kills him. Dean's reaction, basically he says that that kills him.

(Material unrelated to Presidential actions deleted.)

P. Well, let's see what does Dean say when you tell him that?

E. He doesn't agree with that.

P. I know he doesn't agree, but what does he do?

E. He wants to stay and just disconnect himself from this case. And he says, yes, that's right. Make your decision now, but make your decision that I should stay. He needn't decide that right this minute; I would encourage him not to. But in talking about Rush, that relates to this general subject. I think I would pass it for the moment.

P. But the only thing that I was—I agree.

E. And get back to the Mitchell thing which really is.

P. Like today. I know.

E. Like this morning.

P. I don't think there's anybody that can talk to Mitchell except somebody that knows this case. There's one of two people. I can verse myself in it enough to know the thing, but I am not sure that I want to know. I want to say Mitchell, look, I think that the attorneys for the Committee, O'Brien, and I found this out, and I found out that, and I found out that, and the Grand Jury has told me this that—I just don't know.

P. You know what I mean. They talk about my going out—I am not trying to duck it. I just, John—and, I'll take this one on. The thing, John, is that there's nobody really that can do it except you. And I know how Mitchell feels. But you conducted this investigation. I would, the way I would do it—Bob, you critique this—I'd go up, and I'd say

the President has asked me to see you. That you have come today with this report; that these are the total facts indicating, of course, that the Grand Jury is moving swiftly; Magruder will be indicted, you think. Under the circumstances, I am suggesting—can't be in a position—that you (unintelligible) the Grand Jury and say I am responsible. I did not know, but I assume the responsibility. Nobody in the White House is involved, etc., and so on. We did try to help these defendants afterwards, yes.

P. He probably would not deny that anyway. He probably was not asked that at an earlier time. But the defendants are entitled to that——

E. But you're glossing it. I don't think you can do that.

P. All right.

E. I wouldn't want to—

P. All right.

E. I wouldn't want to have you—

P. All right. Fine, Fine. What would you say to him?

E. I'd say, ah—

P. (Unintelligible.)

E. I'd say, you know, face up to it John. And, you know, I've listened to Magruder, and he's, in my opinion he's about to blow and that's the last straw.

P. And, also, Hunt is going to testify, too, Monday, we understand.

E. We've got to think of this thing from the standpoint of the President and I know you have been right along and that's the reason you've been conducting yourself as you have.

P. Right.

E. It's now time, I think, to rethink what best serves the President and also what best serves you in the ultimate outcome of this thing.

P. Right.

E. I think we have to recognize that you are not going to escape indictment. There's no way. Far better that you should be prosecuted on information from the U.S. Attorney based on your conversation with the U.S. Attorney, than on an indictment by a Grand Jury of 15 blacks and 3 whites after this kind of an investigation.

P. Right. And the door of the White House. We're trying to protect it.

E. If the Grand Jury goes this way you've been dragged in by the heels. If you go down first thing Monday morning or yet this afternoon, and talk to the U.S. Attorney, and say OK, "I want to make a statement." Then, two things happen. One, you get credit for coming forward. Two, you serve the President's interest. And I am here in behalf of the President—

H. Well, and, three, you have the dignified opportunity to discuss this in the office of Earl Silbert instead of in the (unintelligible) watching (unintelligible).

E. And I'm here at the President's request to ask you to do that.

P. Yeah.

E. He has reviewed the facts now.

P. That's right.

E. He has no alternative, John, but to send me here and ask you to do this.

P. Right. If you want to hear it personally—

E. Pick up the phone.

P. No. Come down and see him.

H. I have a couple of modifications to that. One, a minor change not to what you say but in setting it up. It would be helpful in doing that if I call Mitchell and said that the President wanted you to talk with him. Then there's no question on his mind that you're operating unilaterally.

P. Right. Right.

H. And, secondly, that if at all possible, he should come down here. My reason for it is—A—you get him here under your circumstances. B—if you make your case which you may be able to do—in his mind he may be on the same track, maybe at the same point.

P. Yeah.

H. If he is you might be able then to swing a let's get Silbert right now and go on over. See, he may say, "I've got to talk to the President before I do this."

P. Yeah.

H. And then (unintelligible) to do it.

P. Let me say this. I've run through my mind the thoughts. Believe me the idea of Rogers, as you, John—as Bob will tell you, is not one that I don't think is potentially good. I had hoped to get him in. But I know Rogers like the back of my hand and Rogers does not like real, mean tough problems and will not do it.

H. The trouble with Rogers is that Mitchell will over-run him. Mitchell will say, "Here, Rogers, we've got this problem. You know what I think? Those kids over at the White House are really on the (unintelligible).

P. What if you knew when I know. What about then?

E. Well, he'd roll his eyes and Rogers wouldn't know one way or the other.

P. You see, John, somebody has to talk to him who knows the facts. That's the point.

H. (Unintelligible) one part of your scenario really worries me. You say I listened to Magruder.

E. Well, I can't say it quite that way.

H. You can say what Magruder is going to do.

E. I can say—

P. We have learned that Magruder is going to testify.

E. I can say—well I can start out by saying, "Look, I can't vouch for any of this first hand. A tremendous amount of what I know is second-hand, like my conversation with Paul O'Brien, but I have every reason to think that Magruder is in a frame of mind right now to go down there and tell everything he knows."

P. "That Hunt's going to go Monday."

E. "Hunt's going to go Monday."

P. And Liddy—well, you can't say Liddy. Maybe Mitchell has a feel—

E. I have reason to think Liddy has already talked.

H. You know (unintelligible) so they're obviously moving on the cover-up.

P. Yeah.

E. If Mitchell went in, that might knock that whole week into a cocked hat.

P. Why?

H. Well, I'm not sure then they care about the cover-up any more.

P. Well, they might.

E. If Mitchell gave them a complete statement—

P. I wish they wouldn't, but I think they would, Bob.

E. If Mitchell gave them a complete statement.

P. They shouldn't. You're right. The cover up, he said that—well, basically it's a second crime. Isn't that right, John?

E. Yes.

P. Do you think they would keep going on the cover up even if Mitchell went in?

E. Well, I would assume so. I would certainly assume so. You see, they've got to explain to the Ervin Committee some day why they do things and they've got a hell of a lead. They're really not in shape to stop them at this point. They would certainly be diverted.

H. Everything relating to this and all the fringes of it and all the—well, maybe other—

E. I think they're in a position to—I just don't know.

P. Yeah, that's right. But the point is what they have that they're relating to primarily is Dean.

H. I don't know about (unintelligible).

P. Dean. I have to bite the Dean bullet today.

E. I didn't say that. I didn't say that. But I think it is a dependent question, and if you are in a situation where Mitchell stonewalls you, and walks out and says, "To hell with you guys, I've got to live my own life."

P. Let's say—we could—when I look at my watch, it's not because of an appointment.

H. You've got a dentist appointment.

P. I've been here since 8 o'clock this morning.

E. That's why?

P. (Unintelligible.) Don't worry about that. No, that's no problem. (Unintelligible) John out to the Grand Jury.

E. Let me get around that by suggesting what I think his response would be.

P. Yeah.

E. His response will be, "Look, Ehrlichman, you're supposed to be a lawyer. You know better. Somebody who is a target in an inquiry of this kind and tries pressure into giving up his rights is sort of antithesis of what rights I would have if I were a defendant. You're in the executive branch, a government official. You're supposed to tell me that I have a right to counsel and read me the Supreme Court thing and so forth. Instead of that you just suggested that I divest myself of all my rights and you asked me down here for a highly improper conversation. You haven't even suggested that I bring my attorney. And I think that what you are doing, you're acting as the prosecutor in this case."

H. How do you come off doing that?

P. He won't do that, in my opinion. He is more likely to say, "Oh, damn it. Look John, you know that there are people in the White House who are deeply involved in this and you know that Colson and Haldeman"—he may say this—"pressured this poor boy over here." I think Mitchell will take the offensive. Don't you agree, Bob?

H. You see, I am not at all sure but what Mitchell may think I am involved. I am sure he probably thinks Colson's involved, because Magruder has used that. I would guess that's the line Magruder has used with Mitchell, and you might have to play Magruder's tape recording for him.

E. Well if John thinks—I don't think that will happen. I just don't.

P. Is Magruder planning to go see Mitchell?

H. Yes, sir, if he decides to go, if he decides to talk.

P. If he decides to talk—

H. And he is about on the verge. I just assume from that conversation that what he has decided, he is either going to talk or he's going to take the Fifth. He's not going to lie.

P. You're not (unintelligible). They may not call him back.

H. That's correct. (Unintelligible.)

E. He says, I know I'm going to be arrested. I know I'm on my way to jail. If Mitchell comes back with a line like that, "You're not serving the President, well, that if you made any kind of investigation surely you knew people in the White House are involved."

P. What do you say?

E. I say, "Look, John, we're past the point where we can be concerned about whether people in the White House are involved. We're not protecting the President by hoping this thing is going to go away."

P. The people in the White House are going to testify.

E. "The thing is not going to go away, John, and by your sitting up there in New York pretending that it is, is just making it worse. And it's been getting steadily worse, by your sitting up there for the last couple of months. We're at the point now where we had no choice but to ask you to do this."

H. And you could say, "We have a whole series of people who have remained mum in order not to create problems for you, who, it's now clear, can no longer remain mum. They don't intend to create problems for you but, I mean—

P. Who do you mean? Liddy?

H. No. I mean his calls to Dean.

E. I could say that, "When I got into this I discovered that there were all kinds of people sitting around here who had bits of information. They were hanging on to them, because they didn't know where they led."

P. Well—

E. "And because they were afraid they would hurt John Mitchell. And I've had to put this whole thing together. And, now, having put it together, you guys know there's no escaping from it.

H. There's no escape. It's got to be proved whether—

P. Confident as a lawyer—

H. There's nobody that can do it that would be able to persuade anyone else.

P. There's nobody else that can do it. Also. Let me digress a moment before we get to the (unintelligible). Another indication of the problem we've got here is, which is related to what we talked about last night on getting out a statement (unintelligible). I just think we are in an impossible position, frankly, with regard to White House people on the Segretti thing. Now you've gone over that with Ziegler and he still thinks we should stonewall it?

H. Yes, sir.

E. I have not talked with him at length for a day.

P. Now here you've got the—I was just looking in the paper this morning. Saxbe, Mathias, Johnny Rhodes, John Anderson, other persons. Two or three of those names are not new, but they're all there. They are trying to build that up as a chorus of Republicans and more to come.

E. It'll be five a day until next month.

H. But they don't.

But its interesting. It is not a universal chorus he must appear before the Committee.

P. Well—

H. If you've got some saying they've got to set up a way to take secret testimony—(unintelligible) and John Williams says.

E. Or, else, even Baker.

P. Yeah.

E. But Baker does not say (unintelligible) him. He's protecting us on that.

H. (Unintelligible) and look into it.

P. Everybody's for himself. Then of course our own people are out saying we are having a hell of a time (unintelligible) May 9th dinner. I think that's—

E. I think a lot of that is bull, frankly, on the money thing.

P. We heard that at the time, you know, when we did Cambodia. They said, you remember (unintelligible).

H. But that's not true. We've had no problem. Even the papers are saying it's not true.

P. What in the name of—Bob, let me ask you quickly a rather curious question. I thought our relations with MacGregor were not strained. I thought he felt pretty good.

H. He does.

P. Why does he go out and say that it cost a million and a half votes? And what did you want to win by? Want to win by 20 million? No, that's—They say, well——

P. But, you realize that that plays?

The question that I have, there John, and let's come back to the Congressional Committee, what is Ziegler's—what does Ziegler suggest as an alternative? Stonewall the Committee?

E. Well, when you get to that with him, he recognizes that there's a problem.

P. You see the point is, the point is, I believe that cooperation with the Committee might at least indicate no cover up. That's what I'm trying to do.

E. Well, and that story will come out. We're going to go through a period now where we take some gas. For instance, Kilpatrick was on my radio this morning just taking Kleindienst apart something terrible on executive privilege.

P. Yeah.

E. Now that was a tactic. Kleindienst took a hard line up there.

P. Yeah.

E. Because if he had softened at all, that would have really hurt our negotiations. And so we are going to take some temporary gas on this. But I think in the long haul, it'll come out OK. Now I may be wrong on that, but I think it will.

P. What do you think Bob?

P. You think we should continue to negotiate?

H. Yep.

P. What is your view, John, as to how the Committee and how do you want it to come out during the negotiation? I'm going to be a little busy tomorrow.

E. I know that. I am going to see a draft Monday. And then, I have already reserved Blair House and I'm.

P. What do you want?

E. Going to call a meeting.

P. What are you going to (unintelligible).

E. Well, I am going to go to our executive session and

P. And set this up for a historic way that we can do it for all these.

E. Right.

P. Cover Kissinger—

E. And take the poison out of the relationship and so on. They're going to say to me. "Well, it's been nice meeting with you and we appreciate your courtesy, and the hors d'oeuvres have been great. We're now going to go up and write our own set of rules. You understand we can't be bound by your point of view."

P. Right.

E. "And then you guys at the White House are just going to have to decide whether you can live with our rules or not. Take it or leave it."

P. Then you'll say—

E. "Well, let's then talk about procedures for a law suit. Cause I think that's where we're headed. Let's "—I'm going to gig them about Mr. Lipschitz and soften him up a little bit if I can, but then I am going to say, "Let's not—

P. What will you say about Mr. Lipschitz?

E. Well, I think we'll have quite a lot of fun with that in terms of double standard.

P. Yeah. And misdemeanor.

E. But I'm going to—

P. And, incidentally, Dash knew it.

E. Yeah. I am going to try to work out a process where Dash to Garment, if they want a test case, we'll frame a test case. They will serve a subpoena, we'll either move to quash it or they can go through the contempt process. But I think the motion to quash is the best way to go.

P. Right.

E. And figure out how we can go stipulated record.

P. And do it fast.

E. And do it before the Federal District Court. Now I think they'll agree with that. We certainly have not given them any reason to be antagonistic. That may be the one—

P. What—

E. Way to agree on process.

P. I know, but do we want to—

E. Well, now, here's the—

P. We don't want a Court case—

E. Well, now, here's what I'm getting at. The Court case will delay any appearance by any White House people. We'll agree that we'll abide the outcome of the case. Then if Mitchell does get indicted, Mitchell's lawyers are going to somehow move to stop the Ervin hearing.

P. Who is—that's your analysis isn't it or is that Colson and Shapiro?

E. That's Shapiro's analysis, also, and I have respect for his ability.

P. Do you quash the—on what ground?

E. On the point that they can't get a fair trial.

P. Yeah. What if they say, "Well, how about Mr. Segretti? What about him?"

H. Why can't they limit their—why can't they—

P. Say nothing about Watergate.

H. Leave out Watergate, but let them go with everything else but—

E. How could you do that?

P. Well, the problem you've got here is that they've got Mitchell and the other people.

H. Sure (unintelligible) all that they've got is the press says "inextricably linked." Of course.

E. And all they have to do is take a look at their big, long resolution. "Let's go." And the Judge would take a look at that and say, "I can't let this go on while (unintelligible) investigates your charge."

P. John, is that better than just caving?

E. Well, we've got the option of caving at any time.

P. You don't want to cave now? Let me put it this way—

E. Yes I do.

P. Let me put it this way. I can't watch (unintelligible).

Mitchell—this is going to break him up.

H. As to Watergate

P. Oh, I know, I know and I don't think so. My idea is—it would be better, frankly, after Mitchell is indicted and then if we care—I don't think that is very good. I think it is a lot better for us to be forthcoming before he is indicted, not after. That problem for you to consider.

E. You asked me, "Do I want to cave now?" My feeling about this whole thing is that we ought to be looking at every nook and cranny for every device that there is to be forthcoming.

P. Right.

E. And this is a place where we could do it. My sense of this whole case is that our best defense is that the President always wanted this to happen, and that we weren't being cute about this at all.

P. All right—let's come to this. Ah, regarding the other side—he said, "well, see our heads up there on the dock, and act like convicted criminals and it'd be bad for the White House. You're going to have that continuing thing—"cover-up, cover-up, cover-up."

H. Rape is inevitable.

P. That's the problem.

H. Well, I'm not sure you are going to have a continuing thing in cover-up when you bust—The Ervin thing goes on. They got a procedure and all that. But, you are down to a different level of staff if you busted in the Watergate case. You're down to a level of "Who hired Segretti?" and I think I've got to get out in front on that before it goes up there.

P. Well, I think Chapin gets out in front on that.

H. No sir because I think—

P. Do you think you can make a statement? How does that come along with Henry's thing? What do you think? Can I digress a moment to Segretti? I would like to get that out of the way, but what would you do? What's you're—

H. I think, just turn it out. If the Mitchell thing breaks, like on Monday, and if (unin-

telligible) and that starts breaking and you get into a big bottling up of Watergate. It seems to me that's the best possible time, place and atmosphere for my statements to come out debunking Dean. "Obviously, I couldn't go out publicly and say that I've been sitting here wanting to tell my story waiting for the Senate Committee to get off its ass and nothings happening here. And I couldn't go out unilaterally and do this while the process was running at the Grand Jury. But now they've come to their conclusions and the people in Watergate are done. Now, let's get the rest of this story covered too, because that doesn't—the rest of it doesn't involve criminal stuff to my knowledge."

P. Except you've got—

E. There's a problem.

P. That's it.

H. You've got a kid that's taken the 5th on that.

E. Here's what you might do. Let's assume that Tuesday the Ervin Committee comes up with its rules. They will also set their date for hearing on Tuesday—the first of May, 5th of May, whatever it is.

P. Do you think they will do that?

E. This is their last regular meeting until after recess.

P. Fine.

E. You could come out then in response to that—and say, "Well, now that they have announced they are not going to have their meeting until May, I have been sitting here waiting. I can't wait any longer. Here's my statement." Send it all to the Grand Jury.

P. I wouldn't (unintelligible) the Grand Jury thing and so forth.

E. That makes it look like it was dragged out of you.

P. Also it gets it all into—the one says, "And also today Bob Haldeman admitted that he was behind the Segretti thing." I'd rather have the story separate, Bob. That's my problem with the other one. Don't you agree?

E. Yeah, I don't feel comfortable with his relating it to the Grand Jury at all. It sounds like, "Well, this is all coming out anyway so now I'm going to make my statement. "

P. What's your reason—in other words, you'd relate it to the Committee and the Committee is not going to hear us until.

E. I want an early hearing—I want it.

P. Why can't Ehrlichman get out and say, "Haldeman et al has urged early hearings?"

E. As soon as we get (unintelligible) or why don't they kiss me off and publish their rules.

H. Ehrlichman doesn't have to get up. I can get up, quote my statement and say that, that I had urged early hearings, that there had been, that these—(unintelligible)

P. I'd like to get that story out right now, frankly, that Ehrlichman is urging early hearings.

E. Well, but you see—

P. We don't want early hearings, huh?

E. No. Number one, I don't want 'em. Number two, I have a commitment to Ervin and Baker.

P. That you won't discuss that?

E. And I won't discuss these negotiations until they're over. And it'll unless I want to blow 'em sky high, I shouldn't do that.

P. All right. Well we just take the gas on that. And coming back to, I think John's scenario, Bob, is better. I'd like to separate the two cases and I'd get the Segretti thing out.

H. Wednesday may be the day next week, because they meet Tuesday.

P. Oh, I see. In other words, the Ervin Committee says (unintelligible) you feel it's not time, that's too long. You could put out a statement which says, "I had nothing to do with Watergate." I think in this instance I would say—"but, second, I want to say what we did. I had this to do with Segretti." I wouldn't worry about the fact that he'd come back and say well now what did you do about this or that at this point. I just think this making a forthcoming statement that we present to everybody. That'll buy us some time and you need to buy a little time now and then.

H. If you do it under the umbrella of the Mitchell indictment—

P. His will come later. Indictment will come. I don't mean indictment—

H. But I'll tell you it could go quite fast. If Mitchell, today, agrees to do this and he and O'Brien and his lawyers went over to see Silbert this afternoon and made a statement, we'd put it out. He could get this thing get this cleared up. Silbert could file an information as early as Monday or Tuesday, you wouldn't have to get an indictment from the Grand Jury.

P. We don't even know yet what Magruder is going to do.

E. Does it really matter? If once you're possessed of this information.

P. Yeah, I see. But, my Gosh. I'm not a mind reader. I'm thinking of those, whether Mitchell gets—you're bargaining with Mitchell. Mitchell's going to say, "Well, I don't know whether Jeb, how do you know Jeb's going to do that?"

E. I don't. I don't. But it doesn't matter.

P. Yeah. They've got other information?

E. That's it.

P. How do you know that John?

E. Well, we've got some sources inside the U.S. Attorney process.

P. That's right.

E. I don't know how good they are, John.

H. You can say, "John, I am sure you do too."

E. You undoubtedly do, too. But everything that I can—

P. You think John's had sources? For that problem: they are trying to give him a little bit of (unintelligible). We don't know what our sources are. Our sources are Shapiro, right?

E. Oh, no. Dean and his lawyers have sources in the U.S. Attorney's office.

P. Silbert, right.

H. Well, then, you've got the other two Grand Juries. How about those?

P. Tell me. Can I spend a minute? That's the thing that I wanted to know. I knew about the New York Grand Jury. What in essence is that? Vesco—

E. It's a, it's a runaway Grand Jury.

P. Yeah.

E. It started out as an SEC action against Vesco for violations of the Securities Act. They then bumped into this two hundred and some thousand dollars donation to the campaign.

P. Right.

E. They have been on that.

P. Right.

E. since. And they've had Stans up and they've had Mitchell in and they're working on the question of whether or not Vesco procured an appointment with the Attorney General of the United States in consideration of a two hundred thousand dollar campaign contribution.

P. Oh. my God. And Harry Sears charges that?

E. Violation of section 201. Now they have a witness, who was sitting in the room with Vesco and Stans.

P. Yeah.

E. Vesco came in and said, "Mr. Stans, how does a guy get to be a big contributor around here." And Stans said, "Well, the word big means two hundred thousand dollars." And Vesco said, "Cash or check?" And Maury says, "either one." And he—

P. This was after my poor brother was up there?

E. I'm not sure. I don't know, before or after. I just don't know. But in any event, he said, "Well, how does one work out a quid pro quo?" And Maury said, "Well, what's your problem?" And he said, "Well, I'm afraid the Justice Department is after me on an SEC violation." Maury said, in effect, "I don't know what I can do about that. Let's see." Vesco then got a phone call, allegedly, from John Mitchell. Now, that's enough to indict.

P. It is?

E. They tell me it is. Because Vesco, as a result of the phone call got an appointment.

P. (unintelligible) My God that's dumb. You know what I mean. I can imagine all those (unintelligible) in here trying to get—

E. Now that may not be enough to convict, but it's enough to indict.

(Material unrelated to Presidential actions deleted.)

P. We've come full circle on the Mitchell thing. The Mitchell thing must come first. That is something today. We've got to make this move today. If it fails, just to get back our position I think you ought to talk to Magruder.

H. I agree.

P. And you tell Magruder, now Jeb, this evidence is coming in you ought to go to the Grand Jury. Purge yourself if you're perjured and tell this whole story.

H. I think we have to.

P. Then, well, Bob, you don't agree with that?

H. No. I do.

P. Because I think we do have to. Third, we've got the problem.

H. You should talk to (unintelligible) first though.

E. What really matters, Bob, is that either way—

P. Yeah.

E. Who is ever (unintelligible)

E. You see the point is—

H. But don't use Jeb as a basis for the conversation.

P. Yeah. Say that the evidence is not Jeb. I'd just simply say that these other people are involved in this. With Jeb, although he may blow—

E. I can say that I have come to the conclusion that it is both John and Jeb who are liable.

P. Yeah. But no, I meant. Yeah, go ahead. I was simply going to say that we are not talking to John because Jeb is going to crack or that Dean is going to the Grand Jury. It's past that point. They've got the case made.

H. That's right.

P. He'll say, "Well, I think they're bluffing here." What'll you say?

E. It isn't a question of bluffing. Nobody's made any representations to us at all. Nobody's tried to bluff us. It's just a question of putting together all the facts and any time someone, if the U.S. Attorney's office goes through the process that I've gone through, he'll have all the facts. And there it'll be. And you don't get it all from any one person. It's some from this one, some that one.

H. It's a typical, it's a typical case.

P. How was Dean's—Incidentally, what is the—is the liability of Hunt—I am thinking of the payoff thing.

E. Yeah.

P. This business, somebody in—Dean, Dean. Dean asked, told me about the problem of Hunt's lawyer. This was a few weeks ago. Needed sixty thousand or forty thousand dollars or something like that. You remember? I said I don't know where you can get it. I said, I mean, I frankly felt he might try to get it but I didn't know where. And then, he left it up with Mitchell and Mitchell said it was taken care of and after (unintelligible). Did he talk to you about that?

E. He talked to me about it. I said, John, I wouldn't have the vaguest notion where to get it.

P. Yeah.

E. I saw him later in the day. I saw Mitchell later in the day——

P. What happened?

E. And he just said, "It's taken care of."

H. Mitchell raised the problem to Dean and said, "What have you done about that other problem?" And Dean said, he kind of looked at us, and then said, "Well, you know, I don't know." And Mitchell said, Oh, I guess that's been taken care of." Apparently through LaRue.

P. Apparently who?

H. LaRue. Dean told us, LaRue. Dean talked with LaRue and LaRue said this whole thing is ridiculous now. He said, yeah—He said, "If I were in charge of this now what I would do I'd get a large bus, and I'd put the President at the wheel and I'd tell everybody we've got around here in it and I'd drive up to the Senate and I'd have the President open the door and, say, 'you all get out and tell them everything you know and I'll be back to pick you up when you're through.'" He said, "It's all out now and there's nothing we can do about it." He said LaRue also said, "You know I can't figure out how I got into this, to begin with, but it seems to me all of us have been drawn in here in trying to cover up for John."

P. For Mitchell?

H. Yeah, which is exactly what's happened.

P. LaRue said this?

H. Yes.

P. He's right.

H. And if LaRue is called, LaRue intends to tell the truth about it.

P. Is he?

H. Yeah.

P. Well.

H. I don't know.

P. What instructions?

H. I don't know. I don't know any of that, He doesn't have—

P. No, but his instruction will be, LaRue, that I was helping to get—

E. The way Dean talks LaRue wasn't even thinking about the message.

H. I don't think LaRue cares. I think LaRue figures that the jig is up.

E. I had a bit of incidental intelligence that McCord dropped yesterday with regard to Mardian. Just a small—

P. (unintelligible) back in Phoenix.

E. I heard a cover story which he fed to the New York Times which would lay it all back at the White House. The trouble with that is, sir, (unintelligible) It will only stand so long as Mitchell stands. (unintelligible) at the White House.

E. That's all. I just don't know any other fact and—

P. But he could lay it to the White House?

E. But bear in mind Shapiro was giving me this in a whole litany of things that were persuasive (unintellligible) what he said to me (unintelligible).

P. The point on Mardian, well, let me say I don't think that Mardian or LaRue or Mitchell or Magruder or anybody want to hurt the President.

H. No, sir.

E. I feel that way. Colson? How about Colson?

H. He—of course, I just think he will do everything he can not to hurt the President.

P. Yeah. That has got to be true of everybody because it isn't the man, it's the office.

H. Sure.

P. But also it happens to be true. I wish I knew about the (expletive deleted).

H. They will have asked that doesn't apply and they could, I think rationalize to themselves that hurting or getting anybody else could be.

P. That's right.

H. Good for the President rather than bad.

P. In other words.

H. And that includes Ehrlichman, Haldeman, Dean.

P. Yeah.

H. Certainly Colson. Colson will be at the top of that—Colson first, then Haldeman, then Dean, then Ehrlichman.

P. You see I think a Mardian story to the Times will be frankly that Colson put the heat on. Maybe.

H. But he said at the White House. That could where he—

P. Maybe Haldeman?

H. Mardian. No, Mardian, I don't think has any personal desire to get me. I think, I know he hates Colson.

P. Does he?

H. They all do. And anything that Mitchell does is—

P. You see you can make a hell of a circumstantial case on Colson. He's the guy that you know he's Dean's buddy, and Liddy he knew well—apparently knew well—

H. Wasn't Dean's buddy.

P. I'm sorry. I meant Hunt's buddy.

H. Yeah. Right.

P. Of course. Right. You know, but Colson is closer to this crew of the robbers than anybody else. That's the problem with Colson. Colson's got a very—

H. He has no tie to Liddy.

P. Oh, no. No. OK.

H. That is the (unintelligible), but he has no string on this. His string is to Hunt.

P. Well, then Hunt—

H. Some others—the central background figure—

P. Is it Hunt? Hunt takes this money? He took it for what? To cover up?

H. Immunity. Bet Bittman's given immunity.

P. They're going to give Hunt immunity?

E. I don't know, I suppose—

H. Bittman says their dealings were standard.

P. How do you give him immunity for additional crimes.

E. He's convicted now, you see, so there would be for additional. (unintelligible)

P. So they could give him immunity for, ah—they could cut his sentence and give him immunity for the cover up; the hush money; clemency. How do you handle the problem of clemency, John?

E. (unintelligible)

H. Well, you don't handle it at all. That's Colson's, cause that's where it comes from.

E. That was the line of communication—

P. Colson to Bittman. I guess that's the only thing we have on that—except Mitchell, apparently had said something about clemency to people.

H. To Liddy.

P. And Mitchell has never, never—Has he ever discussed clemency with you?

E. No.

P. Has he ever discussed it with you?

H. No.

P. (unintelligible) We were all here in the room.

H. Well, may have said, "Look we've got to take care of this."

P. But's he's never said, "Look you're going to get a pardon from these people when this is over." Never used any such language around here, has he, John?

E. Not to me.

H. I don't think so.

P. With Dean has he?

E. Well I don't know. That's a question I can't answer.

P. Well, but Dean's never raised it. In fact, Dean told me when he talked about Hunt. I said, John, "where does it all lead?" I said, what's it going to cost. You can't just continue this way. He said, "About a million dollars." (Unintelligible) I said, John, that's the point. (Unintelligible) Unless I could get them up and say look fellows, it's too bad and I give you executive clemency like tomorrow, what the hell do you think, Dean. I mean, you think, the point is, Hunt and the Cubans are going to sit in jail for four years and they are not being taken care of?

H. That's the point. Now where are you going to get the money for that?

P. That's the reason this whole thing falls apart. It's that—It's that that astonishes me about Mitchell and the rest.

E. Big problem.

(Material unrelated to Presidential actions deleted.)

P. The word never came up, but I said, "I appreciate what you're doing." I knew it was for the purpose of helping the poor bastards through the trial, but you can't offer that John. You can't—or could you? I guess you could. Attorneys' fees? Could you go a support program for these people for four years.

E. I haven't any idea. I have no idea.

P. Well, they have supported other people in jail for years.

E. Sure, the Berrigan brothers

P. Huh?

E. I say, I don't know how the Berrigan brothers and some of those—

P. They all have funds.

E. Operate. I think they use them.

P. Yes there are funds if you are (unintelligible). I guess that's true.

E. So that they—

P. But not to hush up.

E. That's right.

P. That's the point. All right. One final thing. Dean. You don't think we have to bite it today?

E. Well, I'm not so sure. I'd be inclined. When you say bite it isn't simply a matter of making a decision, in my opinion—

P. I have made a decision. He's to go.

E. Well, I'm not sure that's the right decision. By forcing the issue, I don't mean to imply that

P. Oh, I see. (Unintelligible.)

E. Uh, (unintelligible).

P. When you said you didn't think you agreed with the decision, I thought that was one of the recommendations you made.

E. No, my recommendation is that you recognize that there's a go no go decision that has to be made because—

P. Oh, I see

E. Here's your situation. Look again at the big picture. You now are possessed of a body of fact.

P. That's right.

E. And you've got to—you can't just sit here.

P. That's right.

E. You've got to act on it. You've got to make some decisions and the Dean thing is one of the decisions that you have to make. You may decide—

P. Bull, please. Steve Bull. All right, fine, fine. Then you're not—

E. Then you've got to dispose of it one way or the other.

P. Put that thing with Haig, what time you got now? Quarter after? I'll be there at EOB.

E. I'll tell you, I am still heavily persuaded that we affect the Grand Jury and U.S. Attorney treatment of Dean favorably by keeping him on.

P. OK.

E. And that that's important, Now—

P. Why is that?—because they like him?

E. No, no. No, no. Because they can treat him differently as the President's Counsel than as a dismissed person.

E. Exactly.

P. Yeah.

E. It's a very heavy psychological factor.

P. Well this will be done because there is another reason too. It isn't like. Dean is not like Mitchell, now, let's face it.

H. That's right.

P. Dean is not like Mitchell in the sense that Dean only tried to do what he could to pick up the pieces and everybody else around here knew it had to be done.

E. Certainly.

P. Let's face it. I'm not blaming anybody else—

E. No, I understand that. I have great trouble in (unintelligible) in the light of the known involvement that he had in the

P. Aftermath?

E. Right, but—

H. But the known involvement he had in that was for what was understood here to be the proper system

P. The question is motive. That's right.

E. That number one. Number two, there is nothing new about that. As I have developed this thing—I want you to read this—

P. Yeah.

E. There were 8 or 10 people around here who knew about this, knew it was going on. Bob knew, I knew, all kinds of people knew.

P. Well, I knew it. I knew it.

E. And it was not a question of whether—

P. I must say though, I didn't know it but I must have assumed it though but you know, fortunately—I thank you both for arranging it that way and it does show the isolation of the President, and here it's not so bad—But the first time that I knew that they had to have the money was the time when Dean told me that they needed forty thousand dollars. I had been, frankly, (unintelligible) papers on those little envelopes. I didn't know about the envelopes (unintelligible) and all that stuff.

E. The point is that if Dean's, if the wrongdoing which justifies Dean's dismissal is his knowledge that that operation was going on, then you can't stop with him. You've got to go through a whole place wholesale.

P. Fire the whole staff.

E. That's right. It's a question of motive. It's a question of role and I don't think Dean's role in the aftermath, at least from the facts that I know now, achieves a level of wrongdoing that requires that you terminate him.

P. I think he made a very powerful point to me that of course, you can be pragmatic and say, (unintelligible) cut your losses and get rid of 'em. Give 'em an hors d'oeuvre and maybe they won't come back for the main course. Well, out, John Dean. On the other hand, it is true that others did know.

E. But more than that. We've made Dean a focal point in the Gray process.

P. Right.

E. And he will become a focal point in the Ervin process.

P. We'll have to—yes, except, yes, if he goes down.

H. And if you dismiss him he'll still be a focal point.

E. He'll be a focal point. He'll be a defrocked (unintelligible)—

H. With with less protection, that's right.

E. And with less incentive.

P. Well the point that I think, I think—

H. What Dean did, he did with all conscience in terms that the higher good.

P. Dean, you've got to have a talk with Dean. I feel that I should not talk to him.

E. I have talked to him.

P. I mean about motive.

E. I have talked to him.

P. What's he say about motive. He says it was hush-up?

E. No. He says he knew, he had to know that people were trying to bring that result about.

P. Right.

E. And he says, you know, the way I got into this was I would go to meetings in campaign headquarters and we'd get through the meeting and Mitchell and LaRue would say to—Mardian and LaRue would say to Mitchell, "You've got to do something about this." And Mitchell's stock answer was, to turn to John Dean and say, "What are you going to do?" And so John said, "I got to be kind of a water carrier. I'd come back from those meetings and I'd come in to see Bob," or me or somebody else, and say, "Well Mitchell's got this big problem." And then he'd say, "They'd say to me, 'well I don't know what I'll do about it.' "

P. When he came in to see Bob and you what would he say was the problem?

E. He'd say, "These guys, Hunt's getting jittery, and says that he's got to have umpty-ump thousand dollars, and Mitchell's terribly worried about it," and it was never expressed, but it was certainly understood—

P. On the question of motive then, though, I guess in those conversations with you with respect to motive was never discussed.

E. Never discussed with me in those terms.

P. Right. The motive was to help defendants who were, by golly, who had worked for the campaign committee.

E. It never really got that far because, we, at least my conversation with John always was, "Well, you know that's interesting, but I just don't know what to do for you."

P. Yeah. He may have gone further with you, Bob. Did he?

H. No. We referred him to Kalmbach. You aimed it at Kalmbach, I aimed it at Mitchell. I said, "John, you can't come here and ask for help, we don't have it." The one thing where it did go further, if you want to argue about it, it was in the sense that the 350,

P. That we had.

H. Which was not our money, we did move back over there.

P. For this purpose?

H. (Unintelligible). Yeah, yeah.

P. Who asked for it?

H. Nobody.

P. I mean how, who asked for the move on the 350?

H. Hunt did.

P. How did you know? Somebody came to you?

H. Gordon Strachan came to me after the election and said you have three hundred and fifty thousand dollars in cash. What do you want to do with it.

P. This was not requested by LaRue?

H. No.

P. Of Gordon?

H. No, the problem was getting them to take it back. They wouldn't take it, cause they didn't know how—

P. Well, that money—

H. LaRue wanted it but Mitchell wouldn't let him take it.

E. They just didn't know how to account for it.

P. Well, then, frankly, he wouldn't have to account for it, in my opinion.

H. Well, but he didn't—he was

P. Nineteen seventy money.

H. He will have to account for it now, because Fred LaRue is in personal receipt under Grand Jury knowledge of three hundred and twenty-eight thousand dollars in cash delivered to him at night at his apartment by Gordon Strachan. The witnesses to that transaction were Strachan and LaRue.

P. LaRue testified—

H. But Strachan just testified that that's what happened. Well, LaRue's got a problem. What did he do with it? At that point, it's income to him. He's got an IRS problem if he can't get that accounted for.

P. He'll use it—what does he say? He says, I used it for hush money?

H. I don't know what he'll say. He'll probably say I packaged it up—

P. That help? But that certainly doesn't help us.

H. Doesn't help anybody but, you know

P. The other thing he says, well, I just—I have retained it in a fund for future campaigns.

H. I'm sure he doesn't have it.

E. I'm not sure, either, but I assume it went right out to pay these people. That's my assumption.

P. You know he used it—

H. Not all of it.

E. Now Dean says this. He says we have only two problems that we have to manage in the White House. One is the fact that we made a referral to Kalmbach, and he said that can be explained. And need not be a major problem, if it's clearly explained. And we have no problem with the aftermath.

H. I'm running the three fifty into my statement, but the question is whether we want it in.

P. Oh yes. Put it in there.

H. Nobody knows about it, but that's another bombshell.

P. I think there's been something written about it.

H. Yeah, but not that I had it. It is eleven o'clock.

P. All right. Eleven o'clock and the armistice is signed so off we go.

E. Mitchell is roughly two hours away, at best.

P. I think, I think he's going to come down and do it today. I think, Bob, I think you have to go out and call him now. And ask him if he can come down.

E. Tell him we'll send an airplane for him.

H. (Unintelligible)

P. Yeah.

H. By the time we get a plane mobilized and up there it takes longer. We'll send it if he is playing golf or something.

P. I know. He may be gone. But the Point that I made was this, if he's out to play golf, just say we have an urgent message, and just say there have been (unintelligible) on the Watergate things.

H. (Unintelligible) him immediately.

P. Tell him he should come down but have him (unintelligible) can you come down? If he says, I can't come then Ehrlichman should go up.

H. Then say John will come up. Where'll you be.

P. Yes. If he says well I've got a dinner tonight and I've got—say, John, John this is very important. The President considers this of the highest urgency that you be aware of these developments.

E. Something that just can't be postponed any longer.

P. Can't be postponed and we—Harder than firing Hickel.

E. Oh, about the same.

P. That it?

H. Yes, sir.

E. OK—anything new? Our last conversation? Can you give it to me now? Ok. I'll see you in a little while.

P. Colson?

E. No, that was Dean.

H. What did he say?

E. (Unintelligible) I think we're going to be—Well, you can put

P. We did not cover up, though, that's what decides, that's what decides.

H. (Unintelligible) to go testify.

P. My point is that if three of us talk here, I realize that, frankly—Mitchell's case is a killer. Dean's case is the question. And I do not consider him guilty. Now that's all there is to that. Because if he—if that's the case, then half the staff is guilty.

E. That's it. He's guilty of really no more except in degree.

P. That's right. Then others

E. Then a lot of

P. And frankly then I have been since a week ago, two weeks ago

E. Well, you see, that isn't, that kind of knowledge that we had was not action knowledge, like the kind of knowledge that I put together last night. I hadn't known really what had been bothering me this week.

P. Yeah.

E. But what's been bothering me is

P. That with knowledge, we're still not doing anything.

E. Right.

P. That's exactly right. The law and order. That's the way I am. You know it's a pain for me to do it—the Mitchell thing is damn painful.

E. Sure.

P. Is he coming?

H. Yes, sir. I said, "Do you want to let us know what plane you're on so we can pick you up? He said, no let me (unintelligible)

P. Run over this. Do you delay your meeting with Magruder until you see him?

E. I don't think it really matters. It runs over this whole thing and having knowledge and having to act on it.

P. My point is that I think you better see Magruder before you see him. No. I guess you're

E. It doesn't matter, in my opinion.

P. You should see Magruder, today. That's the main thing.

E. I think we ought to make a similar call to Magruder.

H. I should do it. I should call Jeb and say that things have developed and all this and—

P. Yeah.

H. Well, I didn't say that to Mitchell.

E. It doesn't matter.

P. Oh, Mitchell. He knows better. Say that to Jeb.

H. When I say it to Jeb it'll take probably thirty-seven seconds for him to turn up on your doorstep.

P. Oh, that's all right. It's all right. I think we should do it before you see Mitchell. Or you, do you feel uncomfortable about telling him?

E. No. As I say I think it's almost immaterial as to which I see first. It's the fact of doing it rather than any particular sequence.

H. Mitchell won't be here, he can't be here until (unintelligible).

P. Yeah. I think, in my view, John, you can't wait to act. You can see Jeb Magruder and say now, Jeb, you're to testify (unintelligible).

E. I wouldn't quite say it that way. I'll say, "I don't know if you know what I've been doing here the last three weeks. I have been ranging over this whole subject matter trying to bring to the President something more than John Dean has turned.

P. Can you tell him as you talk to him that what he says is attorney-client? No? You can't tell him. Ok.

E. I'll simply say that as you know Dean did an investigation which determined whether or not the White House was involved. My responsibility was greater than that. It was to range over the whole thing and try to bring to the President a new body of information on what actually happened, for example, first of what transpired. And from what I have been able to put together I have advised the President and he—this morning—and he has directed me immediately to contact you. Having found a highly accepted point of view in all of this that people should not disclose what they know because it somehow serves the President. It involves, apparently, considerable criminal jeopardy. (Unintelligible) what to do from your own standpoint, I now want you to have as a message from the President. He does not in any way view it as serving his interests for you to remain silent. Decide what to do from your own personal standpoint, and I haven't any right to interfere in that decision. If there ever was an impediment to your coming forward by reason of your impression, assumed or otherwise, of what the President wanted you to do I think it's my job to impart to you what is actually the case.

P. I would, also, though, I'd put a couple of things in and say, Jeb, let me just start here by telling you the President holds great affection for you and for your family. I was just thinking, I was thinking last night, this poor little kid.

H. Yeah, beautiful kids.

P. Lovely wife and all the rest, it just breaks your heart. And say this, this is a very painful message for me to bring—I've been asked to give you, but I must do it and it is that: Put it right out that way. Also, I would first put that in so that he knows I have personal affection. That's the way the so-called clemency's got to be handled. Do you see John?

E. I understand.

H. Do the same thing with Mitchell.

P. Oh, Mitchell? Well you could say to Mitchell, I think you've got to say that this is the toughest decision he's made and its tougher than Cambodia—May 8 and December 18 put together. And that he just can't bring himself to talk to you about it. Just can't do it. And he directed that I talk to you. You see, what I am doing, John, is putting you in the same position as President Eisenhower put me in with Adams. But John Mitchell, let me say, will never go to prison. I agree with that assumption. I think what will happen is that he will put on the damndest defense that—the point you have, your suggestion is that he not put on a defense. You're suggesting he go in and say look I am responsible here? I had no knowledge but I am responsible? And nobody else had—that's it. Myself. That's it, and I want to.

P. This thing has got to stop. Innocent people are being smeared in this thing.

E. He will understand, however it comes out. Once you are possessed of a reasonable body of knowledge, you have an obligation to do something and, rather than simply to turn it over to the U.S. Attorney, the thing that you are doing, in the first instance, is giving him an opportunity to come forward.

P. Rather than having a special prosecutor, say that he comes to a special prosecutor. The President rejects that. The idea that we turn it over to the U.S. Attorney. Call him in, which I could do. Or call in the Attorney General, which I could do, but I think its (unintelligible) to do this because I cannot have this. Now, of course, he's going to ask, "Well, now, John what knowledge do you really have, except hearsay."

E. "I don't have any knowledge, except hearsay, John."

P. But I do know that Magruder

E. I know that John Dean said

P. (Unintelligible) there is no question about what is going to happen.

E. That's right.

H. You won't have to appeal to him on that because he's made the point you know that if Dean testifies it's going to unscramble the whole omelet.

P. That's why I don't want to leave it at the point that Dean's or Magruder's or anyones testimony is essential to Mitchell's—

E. That's right.

P. You see that's the point of that. On the Dean thing, I wouldn't say that the President has stood, frankly, John, on executive privilege thing, because it's up to (unintelligible) and so forth.

E. "It isn't my purpose to prove to your satisfaction you're guilty or that you're going to be indicted, but—it's my purpose to say that the President is now in possession—

P. That I believe we should come to you. What are you going to suggest that he do, John?

E. Well, if he asks me, what do you want me to do? I am going to say, "If you will do what I ask you, what I would suggest, you would pick up the phone or you would allow me to pick it up, and call Earl Silbert and make an appointment today and go over and talk with the U.S. Attorney about this case with counsel."

H. I'll see the President and tell him you're going to go.

E. No.

H. OK.

E. "Well, you're asking me in effect to go down and enter a guilty plea." And I would say, "Look, John, you're the only who knows the basic (unintelligible) to go and to decide whether there's any room with what you know and the ultimate action of the jury through which you might pass unpublished. I can't make that judgment for you and I don't have any right to make it for you. All I'm saying is that if we're looking at this thing from the standpoint of the President, today is probably the last day that you can take that action, if you're ever going to take it to do the President a bit of good."

P. "Do you realize, John, that from the White House, I mean, Colson, maybe Haldeman are going to get involved in this thing too?"

E. Well, here again, we're looking at this thing not from the standpoint of any other individual. "We are looking at it from the standpoint of the Presidency and that's the only way I think you and I can approach this."

P. And I'd go further and say, "The President has said let the chips fall where they may. He will not furnish cover for anybody." I think you ought to say that.

E. That's right.

P. Don't you agree, Bob? That isn't it?

H. He may go. He may get Chuck. He may get you. We asking——

P. We are asking on this thing (unintelligible). Get the White House. You see on the other hand, he may do something else, Bob. I think he would think the latter.

H. That's the thing we've worried about all along, that somebody will get (unintelligible) what we do but we can't live by whether we (unintelligible) the (unintelligible).

P. (Unintelligible).

E. And this is one that will permit him, one that might help the Presidency rather than damage it.

P. Bob, do you think there's something to be said for having John wait to talk to Magruder until after he sees Mitchell? Suppose you get stone-walled with Mitchell.

H. Well, I think John's in a stronger position if he's talked with Magruder than if he hasn't but I, maybe I.

E. I tell you, it is not what Mitchell says that matters today. It is the fact that you have acted on information you have today.

P. Yeah.

E. Now, let's suppose Mitchell turns us down cold, and says I'm going to preserve all my rights. I'm going to fight every inch of turf and so on and so forth. OK. That's right. But at least you, having accumulated all this knowledge this week, have tried to get this thing out, so that sometime two months from now, three months from now, a year from now when there's a panic you can say on the 14th of April—

P. It's on the 13th.

E. 14th—14th day of April.

P. This is the 14th—Saturday.

E. Yeh. Friday was the 13th, yesterday. On April 14th—

P. No, seriously, as I have told both of you, the boil had to be pricked. In a very different sense—that's what December 18th was about. We have to prick the boil and take the heat. Now that's what we are doing here. We're going to prick this boil and take the heat. I—am I overlooking?

E. No. I think that's right. The idea is, this will prick the boil. It may not. The history of this thing has to be though that you did not tuck this under the rug yesterday or today, and hope it would go away.

P. Now. In the scenario. I sort of go out and tell people that I have done this.

E. I don't know. It depends on how it all turns out. If he does not go to the U.S. Attorney, if Magruder decides to stay clammed up—

H. What would you do?

P. Well, that, well, let's suppose they still indict. You don't want them to indict and then have to say that on Saturday, the 14th of April, you, John Ehrlichman—

E. Yeah. But you see the problem there is—

H. (Unintelligible) at least you got the record now.

E. The problem is that if you were to go out on this kind of hearsay and say we know who did it, then you've prejudiced their rights.

P. Then you're thought is to get out beforehand.

E. No, no.

P. Your thought is just to make a record of the decision?

E. When somebody comes to (unintelligible) what the hell was the White House doing all this time? Then you're in a position to say well, we began to investigate personally the external circumstances and we came to some conclusions—we acted on those conclusions.

P. John Ehrlichman conducted an investigation for the President.

E. And we made an effort. Now, it may be that what should happen here is that if they both stonewall, I ought to sit down with Silbert and just say now I don't have a lot of evidence.

P. I agree with that.

E. But I have an accumulation of hearsay—

P. And the President wants you to go forward on this.

E. And I'll turn over to you the report that I made for the President for whatever it's worth. And I want to tell you that I have had contact with two of your targets to make clear to them that nobody in the White House wanted them in any way to be reticent. Beyond that, I don't have anything to say to you.

P. Well, then, let's see what happens.

E. Well, let's see what these guys do.

E. But I think maybe like, tomorrow, I ought to see Silbert.

P. I agree. I think the record should be made we have talked to him so that he knows that the President has moved on this.

E. And that's, that puts—

P. And we saw the U.S. Attorney and turned over our information to him. All the information we had.

E. I would like a record of my conversation with both Magruder and Mitchell. I think personally that maybe I ought to get my office geared up so that I can do that.

P. (Unintelligible), or do you remove that equipment?

E. Yeah.

P. I do here for my meetings with Henry but I don't know.

E. I think it's better if I do it over there.

P. Why don't you just gear it up? Do you know, do you have a way to gear it up?

E. Yeah. I've done it before.

P. Well go gear it. No, no. Well, wait a minute. No, I think that's too—

H. (Unintelligible)

P. Who will? I would just have it so that you will know that what we've got here. I don't want to hear the record, I want to say. So these guys, don't have me hear the record.

H. (Unintelligible) I don't know whether to tell you or not, but there is certainly a purpose for me to sit in on the meeting.

P. I think you should.

H. Maybe that's it. That would give you a witness for one thing. If either of those people were questioned and you don't have anybody else, you've got a problem.

P. And then when Mitchell says, Bob, you know you were in this too. What's Bob Haldeman say?

E. Well, he won't. He won't.

P. I think, Bob, shouldn't sit in because Haldeman is. No. I think so. That gives you the witness. And also Mitchell feels he's got a friend there. And he knows that you're not just doing this on your own, freewheeling it. Bob says we talked it all over. The President said we can't sit on information that's of this nature. Get any information on the White House stuff. It's going to be exactly the same procedure. I think you ought to move on the Jeb thing, Bob.

H. I get him in my office.

P. Give your report to me on it. When you finish your conversation with Jeb, I'll be over.

(Material unrelated to Presidential actions deleted.)

Appendix 15. Meeting: The President and Haldeman, Oval Office, April 14, 1973. (1:55–2:13 pm)

P. Well, you chatted and decided not to take (unintelligible)

H. Yes sir, he said stay on standby—It may be better if it looks like a good idea for you to be there if you can just be available because I may want you to come up fast so I am on standby.

P. Magruder

H. He has had him in there for forty-five minutes, but he still (unintelligible). I called Magruder—it took a long time to get him—he was not available—and I was trying to get him through his office but his lawyer said he could reach him in about an hour which he did and had him call me. Jeb said —I started out by saying now there have been some developments and we have reviewed this whole thing with the President and he thought it was important to have you and your lawyer meet with John Ehrlichman right away and get up-to-date on where things stand from this side. He said—fine, I can do that, I can't make it until about four o'clock. That was the way it was left—but he then said—you know this whole thing— I don't know the situation but it is all done now. I said, what do you mean? He said I decided late last night with my lawyers that I am going to go ahead—you told me to do what my lawyers told me to do. You said you couldn't advise me.

P. Is that what you told him?

H. Yes. You see he called saying, what does Bob want me to do? I told Larry to tell him that I was not in a position to tell him what to do, that that was last week, that that was a decision he had to make and work out with his own advisers. You know—that I wasn't cutting him off—it was simply that it was his area. Well anyway, he said they had decided last night that he would have to tell all and his lawyers met with Silbert today and informed Silbert that Magruder was ready to tell all and requested an opportunity for him to do so. He doesn't know what the timing is but the plan is that he will meet first with Silbert and review what he is going to say and then Silbert will take him to the Grand Jury. Now, the kind of a deal—first—Jeb said I did not ask for immunity—I did not feel I was entitled to it. He said the reason that I tell everything is because they are going to get it anyway. They have witnesses on witnesses now and there is no reason for me to be quiet because they've got everything anyhow.

P. How does he know that? Did Silbert tell him?

H. I guess Silbert told his lawyers.

P. Uh, huh.

H. It is a damn good prosecuting lawyer like Silbert to get a key witness to tumble, but—

P. Immediately?

H. Sure, they've got the facts—they may not be able to prove them but they've got them. Magruder is set to give them the proof. He says the only thing I gain out of this is the hope that I don't go up for all the counts they've got me. He says they've got me for six or eight counts perjury, two counts of conspiracy and two counts of obstruction of justice essentially and that ends up with sentences of 135 to 160 years in jail. He says my lawyers feel that if I open up on this and they have had discussion—they haven't made a deal apparently with Silbert—as to what they will do—that he has been told the way the process will work is that he will give his information and they will determine from the information what counts they will seek to indict him on. They will then take him before the Grand Jury and go forward with Grand Jury indictments on a limited number of counts and they will try to work on cooperation and that sort of stuff to lighten his load and he will then plead guilty on all counts. He will not stand trial—he will not testify in public court—he will only testify to the Grand Jury and whatever they bring as indictments he will take guilty pleas on and go to jail.

P. It isn't a fair trial is it?

H. He told me that whole thing in a broken voice and showed more strength than I thought he had, to be perfectly frank. He obviously groped his way through in his own mind.

P. It is terribly hard.

H. It is awfully hard—particularly if you are very sharp.

P. You don't know what is involved—

H. He understands it—he said the other thing that you have to understand, Bob, is that this whole thing is going down the drain—he said everybody is going to crumble. At this point I would suspect these lawyers have talked to each other. He said LaRue, everybody involved here is going to blow with the exception of John—

P. Mitchell?

H. Unfortunately, I had this conversation just as John Mitchell was driving up the driveway—I held Mitchell—had him go up to John Ehrlichman's office but then Ehrlichman heard all of this before he went into Mitchell. Jeb has not told Mitchell of his decision yet—he said, I want to make my decision and then my lawyers are working it out with Silbert this morning and then my next step is to tell John Mitchell which I want to do.

P. How the hell can John Mitchell deny it? He was right on the (unintelligible) spot.

H. Jeb says unfortunately I will to a degree implicate John Dean and to possibly to some degree Bart and I hate to do it, but he said where I am now there is nothing—I can't pull any punches. He said there is no way that anything I do will get to you.

P. John Dean will have to testify (unintelligible).

H. Well, John Dean—that doesn't trouble me—I don't think it troubles Dean—where

he gets John Dean is on his attendance at those meetings.

P. That meeting Saturday night?

H. No—the problem there is that the discussion at those meetings clearly and specifically did involve bugging.

P. Oh, Dean never denied it as it has turned out. That's John Dean's stand—but what about the aftermath? Does the aftermath help on Dean?

H. I don't think Magruder knows about the aftermath.

P. Where does he get to Gordon Strachan?

H. He says he gets Gordon on——

P. Sending material to him——

H. He still implies at least that Gordon know about it before you know—he knew everything they did. Larry tells me he did not.

P. He will testify that he sent materials to the White House?

H. If he is asked, he will, yes.

P. He'll be asked—is that something he will say he sent to the White House. What would Strachan say?

H. Strachan has no problem with that. He will say that after the fact there are materials that I can now surmise were what he is referring to but they were not at the time identified in any way as being the result of wiretaps and I did not know they were. They were amongst tons of stuff. Jeb makes the point. He said, I am sure Gordon never sent them to Bob because they were all trash. There was nothing in them. He said the tragedy of this whole thing is that it produced nothing.

P. Who else did he send reports to—Mitchell?

H. I don't know. The thing I got before was that he sent them either to—that one went to him and one went to Strachan.

P. What our problem there is if they claim that the reports came to the White House—basically to your office—what will you say then?

H. They can. This doesn't ever have to come out.

P. I know, but they will ask it in the Grand Jury.

H. If they do ask it in the Grand Jury—the Grand Jury is secret. The only way it will come out is if they decide to indict Strachan and put him up for trial. He, Jeb, is totally convinced that they have no interest in Strachan at all—and they have all this stuff. And I can see how they feel—Strachan is like a secretary—he is useful as a witness.

P. (Unintelligible.)

H. Yeah, he implies—or has in earlier stuff—he doesn't now directly—he doesn't say anything now directly—but did in the earlier stuff that Strachan knew about it beforehand. That Strachan knew they were bugging the Watergate. Strachan says he didn't. Jeb has implied a lot of things that I know aren't true, but I know that a lot of things that other people are saying aren't true so I would have no idea whether he believes now that—one of the problems Jeb has is that he's not sure what is true at this point.

P. He tells you this?

H. He tells me that he is sorry about this because it will probably hurt Dean and it may hurt Bart. You see that is the kind of thing—you know—from his judgment—he is looking at things a little different now.

(Material not related to Presidential actions deleted.)

P. Has anything come out yet—something implies that there are copies of a bill from the Watergate to the White House—or not, or has that not been said? He could have had—but I suppose not (unintelligible).

H. I am sure that it is the thing that follows—all of them had access to everything—involvement—implication is clearly there.

P. Everybody is sure trying to get in the act now. I see a message here from Steve that John (unintelligible) had thought about the Watergate and had some ideas he would like to pass along.

Appendix 16. Meeting: The President, Haldeman and Ehrlichman, Oval Office, April 14, 1973. (2:24–3:55 pm)

P. All finished?

E. Yes sir. He an innocent man in his heart and in his mind and he does not intend to move off that position. He appreciated the message of the good feeling between you and him.

P. He got that, huh?

E. He appreciated my—

P. How did you get him here? Give us a little chapter and verse.

E. Well, I started out by saying that the subject was so difficult for you to talk to him personally about that you had asked me to do this.

P. What did you next say?

E. That you had had me doing this. That I had presented you with a set of conclusions that were admittedly hearsay, but that pointed in the direction of his ex-soldier and Jeb's and other people and that you were having me systematically talk to these people because in the course of this investigation we had discovered a frame of mind on the part of some people that they should stand mute in order to help the President, and that your sense was that the Presidency was not helped by that, and that it was not my purpose to tell anybody what he should do, but only to tell him that as far as your view of the interest of the Presidency were concerned, that they were not served by a person standing mute, for that reason alone. Now, there might be plenty of reasons why a person might want to stand mute to put the government out to prove it. And that wasn't the question. Then he said, "Well, what you say to me is that the President is reserving to me all my options," and I said, "Of course he is, John. The only thing that he doesn't want you to feel is that you don't have the option of going in and coping, if you want to do so. You have completely every option to go in or not to go in." And he said, well he appreciated that but he had not been taking the position he had for the reason that he thought he was necessarily helping or hurting the Presidency, but he said, "You know, these characters pulled this thing off without my knowledge." He said, "I never saw Liddy for months at a time." And he said, "I didn't know what they were up to and nobody was more surprised than I was. We had this meeting," and he lobbed mud balls at the White House at every opportunity—it was very interesting how he dragged it in. One after the other. But first he said, "There were these meetings. These characters came over to my office and Liddy put on this million dollar presentation which was perfectly ridiculous. The origin of that, of course, was in the White House where Bob Haldeman and I talked about something called the Operation Sandwedge that was really the grandfather of this whole thing." He said, "Of course, that was never put together because we couldn't get the right people to do it." They were talking about Joe Woods and people of that kind and so he said, "It never happened."

P. What is Operation Sandwedge?

H. He is right. Jack Caulfield came up with that back in 1971, said we need some fellows to set up our own detail.

E. So then he went on to say that there were only those meetings—he is still hung up on there were only three meetings thing. He made it very clear to me that he did never believe there was a fourth meeting. He said that, of course—

H. He wasn't in the fourth meeting, John. There was no fourth meeting as far as he was concerned.

E. No, no, but he didn't refer to three or four, he referred to the meetings themselves. He argues that there was no meeting after the million dollar meeting.

H. Well, it wasn't that way.

E. Right. That is the sense of what he was saying. I didn't press him on it and I tried to play him with kid gloves. I never asked him to tell me anything. He just told me all this stuff. He says that actually Magruder is going to have a problem with all of this because Dean talked Magruder into saying the wrong things to the Grand Jury, and so Magruder's got a problem.

P. My God, Mitchell was there?

E. Yep.

P. Is that Dean they are refer.ing to?

E. Sure.

H. Sure.

P. Mitchell was there when Dean talked him into saying the wrong things?

E. or H. That's what he says. That is what Mitchell says.

P. What does Dean say about it?

E. Dean says it was Mitchell and Magruder. It must have been the quietest meeting in history. Everybody's version is that the other two guys talked—

P. Go ahead.

E. Well it goes on like that. His characterization of all this is that he was a very busy man, that he wasn't keeping track of what was going on at the Committee—that this was engendered as a result of Hunt and Liddy coming to Colson's office and getting Colson to make a phone call to Magruder and that he, Mitchell, was just not aware that all that happened until Van Shumway brought Liddy into Mitchell's office sometime in June and that's the first he had knowledge of it. It was much later in the conversation before—

H. Before the discovery?

E. I don't know. I don't know. You can listen to it. I've got it taped. Forgive me. But in any event, much later I said that the Grand Jury, or the U.S. Attorney, felt that they had John wired. And he said, "Well, what possible evidence could they have to feel that way?"

P. John Dean or John Mitchell?

E. John Mitchell. Well I said I understand that one version of the fact is that Magruder brought you a memo with a number of targets on it, and that you checked off the targets that you wanted. And he said, "Why nothing could be further from the truth than that."

P. That was John Dean's version.

H. That's right.

P. That's what he said to Mitchell.

H. Right. Then what Mitchell said to me was that he did not—he said I checked—I signed off on it.

P. Go ahead.

H. I said you mean you initialed it and he said no.

E. Then I said they had testimony saying Hunt and Liddy, having a conversation, and Liddy saying to Hunt, "Yes, I know how you don't like this stuff, but we have to do it because Mr. Mitchell insists on it." He said, "I never saw Liddy for five months. From February to June, I never laid eyes on him." He said, "I think Liddy is the source of a lot of my problems here, using my name, etc. So it is very much of (unintelligible) thing. He said, "If I am indicted, it is going to be very hard but," he said, "I have to think of my reputation. I can't let people get away with this kind of thing," and he said, "I am just going to have to defend myself every way I can." He said,"Obviously I can't get a fair trial in the city of Washington by any stretch of the imagination. We'll just have to see how that all comes out." He said, "I am sorry to

hear that so much of this is going to come to the White House because it certainly is not in the President's interest to have all this kind of thing come out." He made a great point of the $350,000. He says that his recollection—and he said, "You want to check this because," he said, "I am very vague on the facts of this." I told him about Strachan, because Strachan used to work for him. And I told him that Strachan had been, and has to go back and correct the $350,000 to $328,000. He said, "I wasn't the only (unintelligible) for that money." And I said, "Oh?" And he said, "No, you would have to check with John Dean on this but," he said, "it is my recollection that Dean had Strachan draw other money out of that fund for payments to these defendants." I said, "Well, that is the first I have heard of that. I understood that Strachan had gone to Bob and said this fund—Bob had said send it back to the Committee and that Strachan had taken it to LaRue as a representative of the Committee." He said, "Yes, I think that's the way it all went, but not until some of it had been tapped by the defendants." And I said, "It was not known to anyone over here who was going to receive it." I said, "Was that before the money got to LaRue?" And he said, "Yes, I am sure it was." I said, "Well, who would know about that because I have never heard that before?" He said, "Well, Dean." So—

P. The $328,000 is wrong, too, then?

E. Well if Mitchell is to be believed, that's right, that is the inference. But you don't know of any other withdrawal do you, Bob?

H. Well, I told you the $328,000 was not returned in one trip, but it all went to LaRue.

P. (Unintelligible.)

H. Here is the sequence on that. We wanted to get the money back to the Committee. The Committee wouldn't take it. Mitchell wouldn't let LaRue take it. I said give it all back. Mitchell said no. Then they got desperate for money, and being desperate for money took back—I think it was $40,000. That is all they would take. I still said, "Take it all back, not just a segment of it, and made the point that I didn't see what the problem was. If they needed money and we wanted to get rid of money, it seemed to me it was of mutual interest in working it out. And that, then, was what happened. The balance—

P. Tell Strachan on Monday that he better be clear that he didn't give—

H. Right.

P. Strachan has testified apparently that he gave the whole bundle at once.

H. No, he wasn't asked that.

P. He wasn't asked?

H. His testimony in that area is not wrong.

P. Good.

E. Now, John kept referring to, using the phrase, protecting the rights of people. One of the ways that he used that phrase was in response to my question about what he thought I ought to do with the information that I had collected in the last several weeks. And he said, "Well, you have to first of all consider the rights of individuals." I said, "Yes. At the same time here is the Presidency hindered now with a body of hearsay and not absolute knowledge. Ah, my inclination is to give it to Kleindienst." And he thought about that awhile and he said, "Yes, I guess that is the best thing you could do." I said, "Now you should know that Kleindienst has said that if you in any way get cracked in this case that he is going to step aside, regardless of the case. I understand Henry Petersen also will." And I said, "That the thing Kleindienst is pushing for is a special prosecutor." John said, "That would be a grave mistake because it would be subversive to the orderly process of justice if every time you had an important case you strive to put the matter in an ad hoc process."

P. Well, I particularly—the present prosecutor (unintelligible).

E. So I said, "At least, he thought he should step aside." He got a very wide smile on his face, and he said, "Well, it's great to have friends, isn't it?" He says, "Especially the way we stuck by them"—meaning the ITT business, I assume, because of Kleindienst. So that was an interesting little aside. He said, "I would be very grateful if you would all kind of keep me posted," and I said, "Fine." He knew that we were talking to Chappie Rose. I told him no decision had been made about a Special Counsel, but we were inclined not to appoint a Special Prosecutor; that you were—

P. He doesn't mind a Special Counsel?

E. He thinks it is a good idea to have a Special Counsel. He suggested that maybe the Special Counsel should be the one to go talk to Kleindienst, rather than somebody from the White House staff.

P. I'll be darned.

E. And so that was his only reaction to that. I told him again that I thought he ought to be represented, and that Paul O'Brien was now a target of this Grand Jury and that I thought he really had to think about getting representation. He said he had given it a lot of thought, but that he didn't think that he would want to make a change yet. He thought he would wait and see how O'Brien got along.

H. Which confirms he considers O'Brien to be his attorney.

E. Right.

H. That's interesting.

E. He asked me how he was involved; what I heard about the prosecutor's view of Mitchell's involvement in the obstruction of justice suit. I said that I really had not been able to find anybody who was in a fishing net, who really went to a defendant and said, "Don't talk" or so and so. And he said, "Well I really wonder if you ever will, other than their lawyers." He said, "My impression of this is that they are the ones who are worried about their fees and who will really be coming to us rather than for any of us going to them to bring about a change in testimony. As a matter of fact," he said, "the same that—

H. Dean has been saying that all along. He said, "The thing—that we were talking to Dean about," he says, "I wasn't really worried about what they testified to. I was worried about what they would say to the press."

H. Exactly what Hunt made the challenge.

E. Yep.

H. But somehow Dean doesn't see that that way.

E. Well, we've got to talk to him some more. He, Mitchell, did not mention Martha at all and I didn't raise it. That was just not even in the conversation. I told him that the only way that I knew that he was mentioned, insofar as the aftermath was concerned, was that from time to time he would send Dean over saying, "Hey, we need money for this," and he said, "Who told you that?" And I said, "Well, John, that is common knowledge, and Dean will know that you told him that." I said, "Dean has not been subpoenaed. He has not testified and, as a matter of fact, the way they are proceeding down there, it looks like they are losing interest in him." I said this to John because I wanted him to be impressed with the fact that we were not jobbing him.

P. Oh. I get the point. Now does he know that Magruder is going to confess?

E. I said that in the course of calling to invite people to come talk with me today, and I indicated that there were more than two, that the persons who called was told that Dean intended—pardon—that Magruder intended to make a clean breast of it and that was first-party information and very reliable, and that that would tend to begin to unravel the saint from the sinner in both directions. And he agreed with that. Now he said, "Which version is it that Magruder is going to testify to? Is it the one that he gave Bob and me in Bob's office, or is it some other version?"

H. That's not true.

E. I said—

P. What was the version he gave Bob? Was it another version?

E. Well, let me tell you what Mitchell said. It was another gigging of the White House. He said, "You know in Bob's office, Magruder said that Haldeman had cooked this whole thing up over here at the White House and—"

P. Had he said that?

E. Well that is what he said, and that he had been sort of—

P. Now wait a minute. Your conversation with Mitchell is the one where—

H. I've got my notes on it.

P. —where Mitchell (unintelligible) is one where—Mitchell does—it's good you have the notes, too, but—

E. Mitchell's theory—

P. Whatever his theory is, let me say, one footnote—is that throwing off on the White House won't help him one damn bit.

E. Unless he can peddle the theory that Colson and others were effectively running the Committee through Magruder and freezing him out of the operation which is kind of the story line he was giving me.

H. Did he include me in the others?

E. Yep.

H. That I was freezing him out of the operation?

E. That you, in other words, he didn't say this baldly or flatly, but he accumulated a whole bunch of things: it's Colson, Dean and Bob working with Magruder, and that was sort of the way the line went.

P. No. The White House wasn't running the campaign committee.

H. He's got an impossible problem with that. The poor guy is pretty sad if he gets up there and says that. It is a problem for us, there is no question about it, but there is no way he can prove it.

E. He had a very, very bad tremor—

P. He has always had it.

E. Well, I have never noticed it as bad as this.

P. So you've done your (unintelligible).

H. The next question is whether you see Magruder or not and you are now set to see him at 4 o'clock, and if you are going to cancel him, why don't you do it right now.

E. I see no purpose in seeing him.

P. Why, because Magruder is aware of the fact that—

H. Magruder is already going to do what John is going to tell him to do, so we now know—

P. Our purpose, as I understood it—what I mean Bob, was for making a record.

E. Alright. For that purpose maybe I should. Maybe what I should do—

H. Ask him to tell you what he told me, and then you say, "Good."

P. We would like to get the hell what he is going to say.

E. Alright, alright.

P. I would particularly like to get what the hell he is going to say about Strachan.

E. Alright.

P. You could say, "Look, Jeb, I have to conduct this investigation on the White House. Tell me what you are going to say." If he says Strachan knows, ask him how he knows he knows.

E. Alright.

P. Do you think we should ask him that or do you not want to dig him on that?

H. That's O.K.

E. Once he tells me he intends to go forward to tell the truth, he has nothing to lose in talking to me.

P. Without guiding or leading him, you can at least maybe get that out tonight.

H. Well, his lawyer will be there.

E. Right.

P. The other thing is what about—of course, you realize that if he says something about Strachan then of course that puts an obligation on us to do something about Strachan, doesn't it?

E. Well at least to corroborate it or investigate it or go forward on it.

H. Question John—

E. Well, if it ends up that way, why then you have a sort of a dog fight.

H. Let me say this. I don't think Jeb wants to hang Strachan. I think Jeb is worried about the fact that in going through this, he is going to reveal things that will implicate Strachan. That is the same kind of thinking as Strachan and Chapin, who were both very concerned about getting me into the Segretti thing. In other words, they see any involvement, any mentioning of the name as being a problem.

P. Yeah.

H. I don't think Jeb sees it or understands the question of whether he really got Strachan in or not, and I am not sure how far he intends to go with Strachan.

E. He didn't say, didn't really make it clear?

H. No. He just said unfortunately this whole thing is going to come up and if it comes up, Bob—I said, "What is the problem with Gordon?" And he said, "Well, I don't know. That depends on what other people say."

P. Other people, you mean like a secretary, you mean, or someone like that?

H. Could be.

P. Typing a memorandum. To a degree I think one of the nice things in Strachan's case is the—the other possibility, of course, would be—maybe they are very likely, they might do this Bob, that they are going to ask the question, "Who told you to do this Jeb, or Mr. Magruder?"

H. He stoutly denied that Strachan told him to do it. Larry brought back the exact story that he insists—

P. What about the Colson (unintelligible).

E. He says that he is going to have to hurt Mitchell.

H. He says, "The ones I am going to hurt is Mitchell, and to some degree, John Dean and maybe Gordon.

P. He's obviously thought this through. Isn't it worthwhile to find our—I think we owe it to ourselves to find out about John Dean, for example, what he—now understand that he thinks (unintelligible) this is true from (unintelligible).

H. Alright.

E. I think that's right. This is probably a golden opportunity in a way.

P. Right. To find out—let me put it this way. You've got to find out what the hell he is going to say. (unintelligible) which is frightening to me, (unintelligible) rather than (unintelligible).

H. Right.

P. The interesting thing is—did Bob tell you—are you prepared to say that he says and not Mitchell. That's a hard damn thing, that he, Magruder, says they will indict him. Isn't that what you told me, Bob? Bob, didn't you tell me that?

H. No. He said everybody is going to fall on this. He wasn't meaning indictments. He was meaning going to talk.

P. Oh.

H. Himself, LaRue, everybody is going to drop but John. He didn't mean that Mitchell was going to be indicted.

E. That's correct.

H. He meant that Mitchell was the only one who was going to continue to hardline, because everybody else had given up. And that is why he has given up. His point is that his keeping quiet now or lying now serves no purpose because all it is going to do is get him on a perjury count as well as everything else. If he can clean up anything he can live with himself better. He faced the fact that he has had it.

P. Uh, uh. So that means LaRue, O'Brien. Is that right?

H. Depends on how far they go.

E. That's right.

H. Jeb doesn't know—I don't think—much about that.

P. It's under cover. They'll push him. I think he can put up a pretty good fight on the thing, don't you?

H. I would think so.

P. If they indict him, it is going to be a damn hard case to prove. You've got to prove motive there, don't you, John?

E. Yes. Dean argues that in a conspiracy such as they are trying to build they may not have to prove the same kind of (unintelligible) of some of the participants but only that they were in it. I would have to read the cases. I just don't know what the law is.

P. Of course, you've got there the defendants. They're the same way, too.

H. That's right.

P. In fact, the key witness there is Hunt.

E. Well there are the defendants and the defendants' lawyer, Bitman.

P. Hunt and Bitman. Hunt is to testify tomorrow.

E. My guess is that a fellow like Bitman has probably negotiated immunity for himself, and has—

H. Dean strongly feels they wouldn't give it to him.

P. They would.

H. Will not—

E. He is going to tell them about a lot of conversations he had with a lot of people.

P. Bitman is?

E. Yeah.

P. Do we know that?

E. I don't know that but I know, for instance, that Bitman had a conversation with Colson that was a Watergate conversation. And I know what Colson says about it—that he was brilliant and adroit, avoided any—

H. And he says Bitman's recollection of it would be exactly the same as Colson's—his recollection of the specific conversation—but he says Bitman may draw conclusions from it.

P. This is the clemency conversation? And his conclusion would be that he felt the President had offered clemency?

H. No. His conclusion he, Colson, will have Hunt out by Christmas. He says you know what kind of pull I have at the White House. I will be able to work that. That's what he would have thought. That by saying—

P. How does Colson handle that?

E. He says he has a paper or a memo or something that says exactly what he said.

P. Just a minute.

H. He wrote a memorandum of the conversation immediately after the conversation. That's all it is—his side of the story.

P. You don't think this would lead to an indictment of Colson, do you?

E. I don't know. Dean thinks everybody in the place is going to get indicted.

H. They're all doing the same thing. Look, Dean said just looking at the worst possible side of the coin that you could make a list of everybody who in some way is technically indictable in the cover-up operation. And that list includes, in addition to Mitchell, Haldeman, Ehrlichman, Colson, Dean—

P. Because they all discussed it?

H. Strachan, Kalmbach, Kalmbach's go-between, Kalmbach's source, LaRue, Mardian, O'Brien, Parkinson, Bitman, Hunt and you know just to keep wandering through the impossibles, maybe for everybody on that list to take a guilty plea and get immediate—what do you call it—

E. Clemency.

H. Clemency. That shows you the somewhat incredible way of some of John Dean's analytical thinking.

E. No way.

P. It's a shame. There could be clemency in this case and at the proper time having in mind the extraordinary sentences of Magruder, etc. etc., but you know damn well it is ridiculous to talk about clemency. They all knew that. Colson knew that. I mean when you talked to Colson and he talked to me.

E. The Magruder thing is 4 o'clock and it is still on.

H. I think I have to go confirm it.

E. Alright. Now the question is whether I ought to get hold of Kleindienst for, say 5 o'clock, and get this thing all wrapped up.

P. Have you determined it should be Kleindienst rather than Silbert?

E. Yeah. Dean's right about that, I am sure.

P. How do you know?

E. I asked him for his advice on this. He said Silbert would ask you to wait a minute and he would step out of the room and he would come back to get you and walk you right into the Grand Jury.

P. Oh.

E. And you see, he doesn't dare handle a communication like that personally from the standpoint of the later criticism. He says the better out would be to go to Kleindienst who will probably step aside and refer you to Dean. Dean would in turn say to Henry Petersen they have done this little investigation over at the White House. They have collected a bunch of hearsay. There doesn't seem to be much new but they've got it there if anybody wants it. Petersen would in turn inform Silbert who would say, "I've got more than I can handle here now. We'll wait and interview that guy later."

P. The purpose in doing this is what?

E. The purpose of doing it is—

P. The White House has conducted an investigation and has turned it over to the Grand Jury.

E. Turned it over to the Justice Department.

P. Before the indictments.

E. Right.

P. How much are you going to put out?

E. I think I would let them drag it out of me in a way. I don't know, I just really haven't thought that part through.

P. Because if they say why did the White House wait for Justice Department to do all this—

E. Did the White House know is probably the way this would in turn come.

P. Yes, as a matter of fact.

E. We had been at work on this for some time. President first ordered it.

P. Independent investigation.

E. Needed it known.

P. I had ordered an independent investigation at the time McCord had something to say. Right.

E. Alright.

P. At that time you conducted an investigation.

E. And that a—at the time I was ready to report to you my tentative conclusions, and they were no more than that, you felt that they were sufficiently serious—well, you felt that one overriding aspect of the report was that some people evidently were hanging back feeling that they were somehow doing the President a favor. That the President had me personally transmit to them his views that this ought to be a complete open thing; that may or may not have played some part in—

P. Jeb Magruder's subsequent disclosures to the Grand Jury?

E. In any event, rather than for us simply to hold the information in the White House, we turned it over to the Justice Department for whatever disposition they wanted to make of it.

P. If Mitchell is indicted here, you think he is going to be convicted?

E. Yeah, I think so. I can't guarantee it, but I would be amazed once Magruder goes in there.

P. Well, that's only one man.

E. Well, that is plenty.

P. Is it?

E. Oh, yes, sir.

P. What about the law?

E. Well, with all the other stuff they've got, they—

P. All the other stuff they've got?

E. They have a way of corroborating—

P. All right. So let's go down the road. If Mitchell is indicted, when do you think this is going to happen? With Magruder going in today, it could come sooner.

E. Could be. Could be, although Dean feels it will not be before May 15th at the earliest and now with the glut of people coming in, it may be even later than that.

P. Because they want to make a show.

E. They will want to do it all at once. Stewart, Yes, sir?

P. I will have some consomme.

E. I might have Dick and Jeb come over at 5 o'clock.

P. Yeah.

E. And tell them what we have done, tell them that I will reduce the report to typewriting, which it is not now.

H. He could probably be over sooner if you wanted him. He is at his lawyer's office.

E. Why don't we do it as soon as we can?

H. 3:30?

E. No sense of sitting around here. Make it 3:30. It looks like we always have a drum on the lawn when these things are going on. We had a band out there when Hickel came in.

H. Oh, really? Would you check Jeb and see if they—why not have it held here?

E. Yes, sir.

P. What is the situation then with Mitchell? Undoubtedly, he will have a change of venue?

H. If he could come at 3:30 it might be even better. Here.

E. Well, I think he would have maybe a better chance of getting a judge in a different venue—concerning the witnesses—than he would certainly here in Washington who would feel the political heat of letting the Senate go on. I don't know how to calculate that. That's—It's a good question. I mean, you would have to have it in a place like Missoula, Montana.

P. It is a national story.

H. Place like Pascagoula, Mississippi might even be better.

E. Yeah, that would be better. Miami would be a pleasant place for it.

P. With you here, you men and Dean, without building stars—well, we have a pretty big bag.

H. Right. (Unintelligible) his opinion is that they will not reach him. He does not think he is a target and he doesn't think he will be. He thinks he might be but he doesn't think he will and if he's not, that means they are just going to be targeting on the White House.

E. Well, I am not so sure of that.

H. That's right. He said they may be after bigger targets.

E. Yeah. The same names are kind of pealing off, like yours truly.

H. Yep. I think he is trying to get attention with that, John.

E. He does believe me.

P. I don't think though—as a matter of fact I can't see that. John Dean has said that we all have to keep our thinking in perspective, but the potential relationship Magruder had with John is nothing compared to Dean's. He sat in on the damn meetings.

H. That's right. As however even at a some what higher level—if he can establish himself in a similar role as that of Gordon Strachan—and say that he was merely a messenger, a conduit, an agent.

E. Boy, Mitchell sure doesn't agree with that. I assume Mitchell will never testify. That would be my assumption.

H. Well one thing that you know we haven't talked about, but I am sure you have thought through and I have talked to him and told him I was reporting to the President, is that the outcome of the Magruder thing is that there will never be any published Magruder testimony.

E. That's right.

H. So the question of what Magruder's testimony amounts to is only—

E. That's not right, Bob. He will be indicted and he will plead guilty and be sentenced.

H. That's right.

E. Then he is available to the Committee or to the Court as a witness in somebody else's case.

P. Oh, he is?

E. He will be brought in his prison denims, change into a business suit and be put in the stand.

P. Oh.

H. Really?

E. Sure.

H. Why doesn't he take the Fifth on additional possible self-incrimination?

E. He's already been doing it.

H. (Unintelligible) must go on anyway. This stuff wasn't hanging on any of those things anyway and we just have to face that fact that whatever the story is it is going to be out anyway.

E. They will have the entire story out, plus probably two other stories that two other guys make up.

H. That's right.

E. And that anything and everything that is said will be believed.

H. And at least some of which will be enormously damaging to us.

E. There would no way—

H. Not provable, but damaging—

E. No way to deny it.

P. It is terrible when they get such a big bag.

H. Yep.

P. What does all this mean with regard to the—our posture here. Would you say let's take the gaff?

H. No, or do you deny it?

P. And cooperating with the committee and so forth. You are now looking at another month of it.

H. I don't think we should take that chance. See if we can—a month or more.

P. I don't want to. I don't want to. Bob, you see the point, I don't want to cooperate with the committee unless I could get a resolution of the entire Republican Caucus in the Senate.

We can't do that. (Unintelligible) based on the (unintelligible) situation. Do you not agree?

H. Well, I don't know, but I think what happened there—

E. Look, what should I say to Ervin and Baker on Monday?

P. That's exactly why I am raising this point.

E. One thing, it's a live actors' show. I think Magruder and Mitchell and others—

H. If they show up at the Senate—

E. Will not be witnesses at the Ervin hearings.

P. They will not? You just told me a moment ago that they could be witnesses at the trial.

E. Well, they can but the point is that—after the trial and their sentencing—

P. Yeah. Of Mitchell.

E. They could be subpoenaed.

P. Yeah.

E. And they would be delivered up to the committee.

P. But by that you mean until Mitchell is tried they can't be.

E. That's right. Until they stand trial, well, it would prejudice their rights.

P. Not only they—but he's already given—pled guilty.

E. Ah. Well then Magruder could be a witness after he's been sentenced. If he wanted to be and—

P. Wanted to be?

E. Here's the tricky point. Whether or not Ervin can grant immunity to someone who has been sentenced and is serving a sentence is something that I don't know, whether that would make any difference or not. I have no doubt that a judge can, but I don't know whether the Senate can. I think Ervin's best bet is to suspend as soon as these indictments are announced. If he were smart that's what he'd do, and then just let this thing (unintelligible) and then come around afterwards and punch up the places that they missed. Just go around the battlefield and get the croix de guerre.

P. Well after they get through, this—this kind of indictment—there isn't going to be that much gas in the Ervin Committee. I mean, they'll go ahead, but I mean they'll say, well now, what the hell. Still Segretti—too small. (Unintelligible.)

E. Just take the leavings.

P. What?

E. He gets the leavings. That's all.

H. They'll delve into it because their whole pitch is that this isn't the Watergate. It's the use, the misuse, of money and all that sort of stuff. They're going to run that money (unintelligible) down. Where did it come from?

E. Yeah.

H. Where did it go?

E. Mitchell said, incidentally—

P. (Unintelligible) million dollars?

H. Well, yeah.

E. Mitchell said that we should take great care to establish that three fifty came from the pre-'72 campaign money.

H. Right.

E. I asked, "Any questions in your mind about that?" And he said, "No. My impression is that that is where it came from," but he said, "Maury Stans and Herb Kalmbach spent a week together trying to tie all these various funds down as the source and that's a big loose end."

P. Well, you better—let's get that one. Well, there's no question about that, was there, Bob?

H. Not in my mind.

E. Well, but you see, Maury and Herb—

H. Was that, there was—well (unintelligible), the question was how much of it would we set aside. (Unintelligible) to three fifty.

E. Maury—

P. (Unintelligible) over here? Maury?

H. No. Gordon Strachan went over there and got it. Well, either Sloan brought it over here or Strachan went over there. I'm not sure which. Strachan took delivery from Sloan.

P. (Unintelligible) this was before the campaign started, in other words?

H. April sixth.

P. April sixth?

E. That may make a problem.

P. After the date of—

H. The day before the seventh.

P. (Unintelligible) it was April seventh. But it was (unintelligible) before.

E. Yeah, it was cash that had been—John (unintelligible) but John implied that they had bigger problems and that they had to use this money to make up shortages someplace else or something. I don't know. He didn't get into all this, but he said—

H. They never told me that.

E. They had problems with making their accountings all come out even—Kalmbach and Stans.

H. Kalmbach assured me all the time that the cash from seventy was intact, except for some that we knew had been used. But what was intact was—there was supposedly about two million. What was intact was about a million six and the question—there was way more than three fifty in other words. Many times that. And the question was how much of that million six—and they convinced me that you don't want a million six—or it could have been restored to two million (unintelligible) but you don't want that because

under the new laws and everything there is no way that you could find to spend it. There isn't that much stuff you can spend on that wouldn't be traceable. And so somehow a figure of three fifty was negotiated as being a reasonable figure that might be, you know, would cover what might come up that wouldn't be impossible and wouldn't put exactly a hole in the campaign. So it was (unintelligible). That was money that was not really—

P. Didn't belong to the Committee?

H. Belonged to the Committee. What happened really is that it did. We made a contribution to the Committee.

E. Yeah. That's what it was.

H. The friends of Nixon in seventy.

P. Yeah.

H. Made a million three contribution to the Committee and kept three fifty of what it had of its carryover funds.

E. That's the way to argue that.

H. That's the way it was.

P. I wonder if you'll (unintelligible) then—(unintelligible) I think, Bob.

H. I can't reach Magruder. There's no answer (unintelligible) over something. If he arrives here they'll let us know.

P. We better get the other things out of the way. I think we're going to be—I don't want to be hammered—(unintelligible) I don't want to—I don't (unintelligible) they'll hammer the hell out of us anyway, but I don't (unintelligible) that's a—that's just a (unintelligible) all here. We'll take—we'll take a hell of a beating (unintelligible) in the next thirty days, a lot of heat, we'll take with regard to why we aren't appearing, why we aren't going to appear before the Committee. Now, how do we answer that? Do we answer that by saying the Committee won't agree to our—to the proper ground rules? Is that correct?

E. We say we don't want to turn it into a circus. We want our testimony received in a judicious and prohibitive way. We are willing to have our people go, but only under the right circumstances.

P. Well.

H. You get it by the Kissinger thing—we are releasing the record of your negotiations down channel.

P. Yeah.

H. Simply say that this is what we offer.

P. Yeah.

H. We stand ready to meet this offer whenever the enemy is willing to talk.

E. Seriously.

P. The question would then arise.

H. Tell 'em we'll resume the bombing.

E. I think it will probably not in the light of the heat from the Grand Jury and so on.

H. I still think you can. Maybe it can't be done, but there ought to be a way to turn the Grand Jury thing strongly our way, which is that this proves the rightness of the President's approach of full cooperation with the proper process of justice which is bringing people, even at the very highest level, to account.

P. You (unintelligible) cooperation.

E. Yeah. I think we should do that.

H. And cooperating on the (unintelligible). And the value of that.

P. (Unintelligible) first man out on it should not be favored. You understand the importance of that and so forth and so on. Then I've got to (unintelligible) and get (unintelligible). Trying to think of how to use you effectively in this too, John, is a—

E. I have to be—I have to be unwilling to tell the press what I discovered because of the rights of individuals.

P. Yeah.

E. Unless we want to get Mitchell and Magruder off. I could sure as hell give them an iron clad defense.

P. Oh. Oh, I meant (unintelligible).

E. Just don't defend 'em huh?

P. The time the Grand Jury has indicted.

E. I could prejudice their rights in such a way that they could—will never get a fair trial.

P. I guess you're right. You can't do it. See, Bob, very little you can do (unintelligible) Grand Jury.

E. Well, how about a—

H. What's wrong with prejudicing their rights?

E. Well, I don't know. How about if I were to do this?

H. Get your indictment, but you don't get anybody in jail.

E. I could say that I made a report. I could say that I made a deal. I could say that you instructed me to do certain things. One of the things you instructed me to do was talk to Magruder. Another thing you instructed me to do was to talk to the Attorney General. And I did all those things.

P. And you did, but not Mitchell.

E. And then I wouldn't mention who else. I could say I talked to other people.

P. "Did you talk to Mr. Mitchell, Mr. Ehrlichman?"

E. I am not going to get into any other names of any people.

H. Then why get into Magruder?

P. 'C use he's testifying. That's the only difference. I don't know. You always come up with what not to do to those people.

E. (Unintelligible) right.

P. Does (unintelligible) know Bob. Aren't we really sort of in a position where it would be better to know whose (unintelligible) in that damn Grand Jury. At least, pull the (unintelligible) on something there. I really think you do. And, they're (unintelligible) happy. It seems to me that a hell of a lot of the issue about do something involves our inability to (unintelligible) back that we're willing to cooperate. That we're willing to waive executive privilege and keeping our people silent. Now that's what I'm really trying to (unintelligible).

E. We will get—

H. I've always heard that that's the right—that's the point—that kind of argument.

P. Is that (unintelligible).

H. (Unintelligible) one day plus story.

P. Yeah.

H. The price for which is weeks of—

P. Disaster.

H. Disaster.

E. But the thing that's wrong with that is that while it's a one day plus story, it's also the illumination of ninety days of negative stories.

P. Before you ever get there. That's the point.

H. And it's setting up ninety days of other negative, more negative stories.

E. Well, maybe. Maybe. That's a very good question.

P. The question is how much more negative is there?

E. You could have—

P. Then have the Senators go out and characterize it and all that.

E. You could have peace with honor if we could get them to agree, as I believe they will, that executive privilege is reserved at the time of questioning.

H. They've pretty much stipulated that, haven't they?

E. That's right.

P. What do you mean reserved?

E. I mean—

P. Negotiated?

E. No.

H. You (unintelligible) regarding the individual question—

E. Right.

H. Evaluate privilege as to appearance.

E. Right.

H. But you also (unintelligible) the merits of each individual question as to whether it relates to privilege or not and ask you question by question. It will be by your representative (unintelligible). And Connally's happy dream that I go up there charging away at the Senate doesn't work.

P. I think Henry has a good point here too and the thought about it is, he doesn't want to go out and be the first witness and if there is an overrule (unintelligible) I think makes sense. Although, let me say I do think that we still ought to consider—are we still considering the possibility of getting out the Segretti story?

E. Yes.

P. No way we could do it?

E. I think getting out the Haldeman story would be more useful in the light of Magruder and others going down to testify.

P. In other words you'd get that out before they testify?

E. If possible.

E. Well, (unintelligible) yeah.

H. The best (unintelligible) story you'd get out would be a White House story.

P. That's right.

E. About how we've been working at—

H. Which meets Henry's objections. Well, it's the Haldeman story, but you add to it—the whole thing. It's the—

E. You say (unintelligible) I have investigated. (Unintelligible) up the whole.

P. What—what I, basically—is having an Ehrlichman report. We've got some of the Dean report. That would be simply we have an Ehrlichman report that he makes and here is the situation with regard to the White House involvement. I haven't gone into the Committee thing.

E. Now the current (unintelligible) the current (unintelligible) on White House involvement primarily are Haldeman's (unintelligible).

P. That's right.

E. Well, I didn't go into White House involvement. I assumed that—

P. No. I (unintelligible).

E. That what you needed to know from me, and this would be what I would say, "What the President needed to know was the truth or falsity of charges that were leaking out with regard to—Committee for the Re-election personnel and any connections to the White House that might exist. That was the area of inquiry rather than whether anybody in the White House was involved."

P. (Unintelligible) trying to get you out there in a way that you didn't have to go into all that stuff, you see.

E. I know. I understand. I understand.

P. The fact that you are going to go before the indictments.

E. Well, I'd do it before the indictments and say, look, we have great confidence in the Grand Jury process.

P. That's right.

E. And I don't want to do anything that is going to in any way impair that process.

P. That's right. A number of people have been called before that Grand Jury, and I'm not going to—

E. The—

H. Say everything I have found has been turned over to the Justice Department.

E. Check.

H. Relating to that.

P. Everything that the Grand Jury is considering.

E. And I doubt seriously that I discovered anything new. What I probably did was simply bring into the White House for the first time a body of information that otherwise was available. Other investigators undoubtedly could do the same thing that I did and maybe a lot better. But we had had no occasion, previously, to bring all that information before us. I talked to Kleindienst, so I got what the Justice Department had. I got stuff from all over and we brought it in and we tried to assemble it in a way that it was meaningful for the President and—

H. Did you review the FBI files?

E. No.

H. Why not? That's the original source you said was the most extensive investigation in history. Why the hell didn't you look at it?

E. I didn't look at it because I didn't need to look at it. I got a summary.

P. Dean (unintelligible) the summary.

E. No, and the Justice Department—

P. Yeah, go ahead.

E. And—

P. I think that's easy enough (unintelligible).

H. I do too.

E. I didn't, I didn't try and duplicate the work of the U.S. Attorney. What I tried to do was simply determine for the President's use—and for the President's use only—whether or not there was substance to charges that we were hearing, and whether or not there was White House involvement with relation to those charges. And to determine whether or not the White House ought to be doing anything about its own personnel or about others that it was not doing. We were not trying to determine what the U.S. Attorney should do or the Grand Jury should do or the Justice Department should do. At the same time it would be (unintelligible) for us to withhold anything from the Justice Department in the thought that some of this information might not have been previously available to them. So I am not going to go into it. I am not going to tell you what I found.

P. Well, but here's the Haldeman story (unintelligible).

E. But—no. I'm not going to tell you specifically what I found because obviously the purpose of my work was simply for the President to form judgments—as the basis for the President to form judgments—with regard to White House personnel and other government personnel. And to determine whether or not the White House was actually in any way impeding the progress of the prosecutorial effort by anything that we were inadvertently doing. And, so that—that's not very fancy and I'd want to think that through.

P. So (unintelligible) what I'm trying to get is how you get his story out That's what I'm (unintelligible).

E. Oh. I see. I think you just put that out—just flat put that out. And do it—hang it on the peg of the Ervin Committee, setting a date for their first day of hearings.

P. You mean you'd ask for an early date?

E. No. They will, they will Wednesday, they will Wednesday.

P. Right.

E. Their hearing schedule.

P. And then Haldeman will make his statement—

E. Haldeman makes his statement and says, well I have been sitting here waiting for a chance to be heard. It's obvious now that it's going to be umpty-ump days before—

P. We think the dates (unintelligible).

E. Well, first of May is the earliest.

H. When they start.

E. Yeah.

H. And they—then when they hear McCord and (unintelligible) witnesses before that.

E. Yeah.

H. Before us.

E. So he could say it now looks like it will be several months before I would get a chance to be heard before the Ervin Committee at best, so I would like to make a statement at this time going into a number of charges that have been—

P. That have been bandied about.

E. Right.

P. Then you—the way I would handle that, I would say, "Now let's take the Segretti matter"—no—"First, let's take Watergate." You say, "I had no knowledge—"(unintelligible). "Let's take the Segretti thing. Now, here are the facts."—Then I would point out—(unintelligible) point out (unintelligible) incrimination?

H. No.

E. Well, we don't know that.

H. Huh?

P. (Unintelligible) OK, John. (Unintelligible) with Segretti?

H. Well, he was clearly (unintelligible) which is totally (unintelligible) that Segretti—Segretti's instructions were that he was to do nothing illegal. And, well then, answer the question how could you launch a guy out—

P. Yeah.

H. And (unintelligible)

P. Yeah.

H. (Unintelligible) that's one of the reasons that they—

P. Now, well yeah.

H. (Unintelligible.)

P. Now—here's my (unintelligible) then, and there are charges of money—cash.

H. I have a whole list of the general charges.

P. Well, the point is on the money, now I'd (unintelligible). I would say, "(Unintelligible) money—yes, there was three hundred and fifty thousand dollars left over from the campaign in 1970. It was delivered to the White House.

H. You see that ties to the same fund that Kalmbach—see you get a question, how could I authorize the expenditure of money to Segretti?

P. Yeah.

H. Well, I've already established in the Segretti thing that Kalmbach had these funds left over for the campaign and that's what I would assume he would use.

P. Right. Right.

H. He was to cut—

P. He decided that these funds were made available for private polling and so forth and so on. "They were used only for—twenty-eight thousand dollars was used for—twenty-two thousand dollars for advertising and the balance of three hundred and twenty-eight was returned.

H. They are going to get very excited about that advertising when, as soon as they find that out, they are going to track that down. And that, we have (unintelligible).

P. Vietnam?

H. It was "Tell it to Hanoi."

P. Hmph.

H. It was a "Tell it to Hanoi" ad countering Vietnam anti-Vietnam veterans.

P. (Unintelligible).

H. Wasn't (unintelligible).

P. That's good.

H. It went to Baroody which was the—

E. Bill or another Baroody?

H. No, Sam or Charlie.

E. Sam.

H. Or Edgar or somebody. One of the others.

P. "Tell it to Hanoi" ads (unintelligible).

H. Whatever it was, it wasn't—I was scared to death it might be something.

P. Yeah.

H. A Colson ad but it wasn't. At least that's according to (unintelligible).

E. Mitchell kept lobbing out little tidbits about Colson's operation.

P. Hmmm.

E. About sending rioters up to the Capitol steps and other things that he knew about.

P. Well, that was separate from all of Mitchell's stuff, though, wasn't it? What Colson did?

E. Well, he was saying it's really too bad that all this is coming out because there's so much sordid stuff that will be (unintelligible) to the White House.

P. But sending rioters to the Capitol steps. What do you mean?

H. They weren't rioters, for heaven's sake.

P. Well, they named demonstrators. Why do you tell me?

E. No, tell it to John Mitchell.

H. I don't think anybody (unintelligible) Colson can (unintelligible) rioters.

P. The point is—that is the (unintelligible) my thought with Bob, though, is not to make the countercharge in his—in th- (unintelligible).

E. That's right.

P. I think he should save that for the Committee. Now do you agree with that, Bob?

H. I don't know. It's weak. It's weak if I don't.

P. Yeah. You've got to say—

H. I think I've got to make it in—I don't mean make it—

P. Put it in general terms, but hold the white paper.

H. I say—cite some examples—and say, "All these were done by the others," but I hold off on the thing that I have requested the Committee to look into, and when I'm up there I can say it's a matter of fact, you know (unintelligible).

P. I do feel that we should get this ready and really bounce it and I think that's the day to do it and I'd say (unintelligible) and I'd say—

H. It's ready. Oh, no, it isn't ready but it's close. But it's awful long.

P. Will it be alright?

H. I'm not so sure that (unintelligible).

P. Perfectly alright. Grand Jury. (Unintelligible) the damn (unintelligible) down to it. And if it says if the Committee doesn't, I cannot allow—I cannot allow—the (unintelligible). I mean the—"my effectiveness as an Assistant to the President will be seriously damaged." "Eroded by false charges and so forth and consequently I am making this statement now. I will make this statement under oath. (Unintelligible) I will make this statement under oath and answer questions under oath when the Ervin Committee finally gets around to hearing me." How's that sound to you, John?

E. Sounds pretty good.

P. All right. Now I think—I will say—point out—(unintelligible) it is (unintelligible)—"I do not suggest that—I have only tried to cover in this statement questions of charges to date. That's what I have said and it has not been—and I am sure that others will be made." And (unintelligible)

H. But I can't possibly anticipate what they—

P. "I cannot anticipate them. I do not—I cannot anticipate them, but I'd be prepared to answer them." He won't thereby have answered through me questions why (unintelligible).

P. Now the only question that you have left is, I suppose, sort of the peripheral (unintelligible) Dean rumbling around here and asking you and Haldeman how about getting us some money for Watergate defendants. Damn. I can't believe it. I can't believe they'd (unintelligible) you for conspiracy if you were asked for that. Maybe they could.

H. I—technically, I'm sure they could. Practically, it just seems awfully remote, but maybe that's wishful thinking.

P. Incidentally, could Strachan—I think—be very helpful for him to say what that twenty-two thousand dollars was for before the Grand Jury. Why not?

E. He will have to. I can't imagine that they would—

P. Well, they haven't asked him yet.

E. Yeah, but they will. Because—

P. Twenty-two thousand dollars in (unintelligible).

H. That makes sense.

P. To be sure, you just tell what happened, you mean? Huh?

H. Yeah.

P. Yeah, let's be sure. Well, you could say (unintelligible), it was my (unintelligible).

E. I probably better get up and get set up for (unintelligible).

H. Let me ask you if this—has that been—there was something else on Gordon.

P. Gordon (unintelligible).

E. I'm supposed to ask Gordon whether it was delivered in pieces?

H. Oh, yeah.

P. (Unintelligible) forty thousand dollars to (unintelligible) why did he deliver it (unintelligible) actually it was—it was a large—that's a large amount of money.

E. No, they've already got him on that.

P. Oh, that (unintelligible).

E. It all fit in a suitcase or something and (unintelligible) of support.

H. The reason they were in pieces because it was difficult for them obviously that (unintelligible) to receive back all this cash.

P. Yeah.

H. And they requested that it not be.

P. Requested it in two installments?

H. (Unintelligible) part of it at the time (unintelligible) balance. My interest was delivering all of it as quickly as possible. I don't know what their (unintelligible) was.

P. At the suggestion of (unintelligible) Magruder (unintelligible) everything you can.

H. He's bringing two lawyers.

P. (Unintelligible).

H. What we'll do—the point here—if you want Jeb (unintelligible).

P. Well, as you know (unintelligible) they want Strachan and they want Dean. Right?

H. (Unintelligible).

P. Just trying to get the facts and that's all there is to it.

E. I'll get back to you when—

P. Be sure you convey my warm sentiments.

E. Right.

H. I think I ought to get Strachan squared away.

P. Sure.

H. And if he (unintelligible).

P. Well, we'll see what this finally comes down to here (unintelligible). I firmly think—frankly I should say I don't know, but based on what Ehrlichman tells me about (unintelligible) and that removes him from some other things he said. That's what makes (unintelligible) here. (Unintelligible) is the important thing.

H. Well (unintelligible) Dean. I can't understand because it's in his interest, as well as everyone else's, to see the motive grow with loyalty.

P. I guess we're not surprised at Mitchell, are we?

H. No. It's partly true.

P. Hmh.

H. What he's saying is partly true. I don't think he did put it together

P. He shouldn't—he shouldn't throw the burden over here, Bob, on you. Now, frankly, Colson I understand, Colson certainly put the heat on over there. I don't think John seriously (unintelligible) unless you put them up to this thing.

H. (Unintelligible) I didn't. He knows I didn't. No question of that.

P. I should think he knows it. (Unintelligible) himself. So his (unintelligible), huh?

H. That's what he says.

P. You know he'll never—he'll never (unintelligible). What do you think about that as a possible thing—does a trial of the former Attorney General of the United States bug him? This damn case!

H. I don't know whether he (unintelligible) or not.

P. He'll have to take the stand at some points. (Unintelligible) all this has happened now.

H. That's exactly the point. He's got no defense witness that can deny it.

P. You know in one sense, Bob, it's better to (unintelligible) a couple of these small things but it's much better to hand it to the Grand Jury. McCord may move on the theory that Mitchell will be sorry and the others too (unintelligible) the damn thing—and the Ervin Committee get credit in the Watergate thing?

H. Yeah.

P. I don't know. Am I seeing something (unintelligible) that really isn't (unintelligible) or am I?

H. No, no. That was the thing I was trying to get at this morning. That what that proves is the President's, in my view, the President's course was right. The President wasn't covering up. The President was cooperating with the proper place and the proper place has come to the proper result, which is to find out in an orderly manner without tarring innocent people, to find out what's going on.

Appendix 17. Meeting: The President, Haldeman and Ehrlichman, EOB Office, April 14, 1973. (5:15–6:45 pm)

(Material unrelated to Presidential actions deleted.)

E. Well, he and his two lawyers who are very bright young guys came in. So I said, "Evidently, judging by your phone call earlier this is moot." He said, "Yes we have just come from our informal conference with the U.S. Attorney." He proceeded then to voluntarily give me his whole testimony.

P. (Unintelligible).

H. (Unintelligible) sticky wickets, but no new ones.

E. That's right.

P. Your definition of their (unintelligible).

H. On the other side (unintelligible).

P. On Dean, he told him to lie?

E. Oh, no. He's been a participant, an active participant in this thing right from the very beginning.

H. Talked about the case in the most coherent way we've ever had.

E. And I must say—

H. We finally will know what happened.

E. This has the—this has the ring of truth about it. He is a convincing witness. So, you know. But at the same time it has—

H. It also is not in conflict with anything else you've got, and almost totally corroborates everything else you've got except you get to the end of it this time.

E. This all starts back in September of seventy-one, when Dean, Caulfield and Magruder met and contrived an intelligence effort called Sandwedge. Two months later, Dean had been unable to find the right people to make that thing work. (Unintelligible) and Dean had approved of Liddy. And later in ah, and Dean, Liddy and Magruder met. Liddy, after having some contact with Dean, and Magruder is a little vague on this, came forward with a million dollar proposal. Magruder says that Dean says that a million dollars was the right figure. And that's why he picked that figure. And so the four of them met. They went over it and Mitchell rejected it. A week later, Liddy came back with a budget half as big, the half-million-dollar budget. And that was also rejected—

P. By Mitchell?

E. By Mitchell. Dean went on and said "These kinds of things shouldn't even be run by Mitchell. He's Attorney General of the United States. He is sitting over here in his parochial office and he shouldn't even (unintelligible)"

E. Liddy and Magruder then went off to try and develop a satisfactory project proposal. A quarter million dollar level. Magruder said he was never satisfied with it. He kept sending Liddy back to the drawing boards. Finally, Colson called with Liddy and Hunt in his office—talked vigorously. Finally, although he, and he felt Mitchell, too, were nervous about it and didn't feel comfortable about it, he said, "Well all right, I'll start this moving."

P. (Unintelligible) that he doesn't say that Colson chewed him out? Specifically about this proposal?

E. He said, Gordon Liddy's projects. He did not say wire taps. He used the word "projects." In fact, there was in being a budget for this quarter million dollar proposal. It was in writing. A copy of it had been furnished to Gordon Strachan. And it was very specific in terms of the kinds of equipment to be used.

P. It was furnished to Strachan?

E. Yes sir. There was no follow-up from Strachan. That is he informed Strachan that he was going to go ahead with the so-called Liddy proposal and, "I read his non-response as OK from higher-up. I am not able to say of my own knowledge that there was any knowledge of anyone higher-up." In point of fact the—(unintelligible) was insisting upon was information on Larry O'Brien. That was the thing he called about and that was the thing that he had been driving at. Around the end of March, Magruder and LaRue went to Key Biscayne where John Mitchell was.

P. Magruder? LaRue? Right.

E. They presented to Mitchell Liddy's final proposal. Which was bugs in three places—Watergate—

P. They were on the phone?

E. They were in person.

P. Magruder and Mitchell—and LaRue. Presented it to Mitchell?

E. Yes, sir.

P. In three places, huh?

E. It involved bugging three places—Watergate, McGovern Headquarters and the Fontaine Bleau.

E. In the conversation, Mitchell orally approved it. Now it involved other things besides taps, and he was not specific. He said, "In all honesty this was a kind of a non-decision. Nobody felt comfortable in this thing but we were sort of bull-dozed into it." was the way he put it. Ah—

P. By Colson?

E. That's the inference. (Unintelligible) Liddy's project. I said, "Well now, clear up for me just how well informed was Strachan?" He said, "I informed him orally of it. He had the budget."

P. The budget he prepared himself—

E. Parts started to come out of that thing were junk. We got synopses in the log. He said, "I got the only copy. I, Magruder, got the only copy of that synopsis."

P. Mitchell a copy?

E. He thought they were all junk too, "furnish a junk store". The one copy, that Magruder had, had pictures of the kinds of papers that you'd find around in campaign headquarters. He sent a synopsis of the pictures to Mitchell. He thought it was so bad he picked up the phone and called Liddy and chewed him out. He call 'em "(expletive deleted)" "I told Strachan that the synopses were here. He may have come over and read them." and as I pressed him on that he got less and less sure of that. He says, "I told him they were there."

H. Strachan says, "I stopped reading the synopses, and they were—we had 'em here."

E. Now I've got to skip back a ways and then I'll come back to Mitchell.

H. You sure he made that claim to Strachan?

E. I think March, about the time of the meeting down in Key Biscayne, Liddy threatened Magruder's life. He said he was transferred to the Stans' operation.

P. Yeah.

E. LaRue approached Magruder and said, "We need that operation. You ought to take him back with us. It's dead in the water without him." In fact, from the White House to the headquarters, he says he told the U.S. Attorney, convinced him that they needed the operation. Back to the quality of the work. They—what they were getting was mostly this fellow Oliver phoning his girl friends all over the country lining up assignations. And Flemming, and discussing their young leaders' conference. Liddy was badly embarrassed by the chewing out he got. He met in a meeting with him, and said to John Mitchell, "Mr. Mitchell I'll take care

of it." That was all that was said. So the next break-in was entirely on Liddy's own notion. Magruder says neither Mitchell nor Magruder knew that another break-in was contemplated. I said, "What—after the firing of Liddy?" Magruder was very nervous about him. He phoned John Dean and asked Dean to talk to Liddy and try and settle him down because he was acting erratic. I asked, "Who in the White House is involved in this whole thing?" He gave me the names I gave you:

E. Dick Howard, some of Colson's people, and a lot of the secretaries in the EOB, have various information about a lot of different projects, they had pickets—all kinds of things that will come pouring out in the process of this whole thing. Well I said, "Back to the burglary, who else?" He said, "No one else." He said, "The U.S. Attorney is hot after Colson: — they know he was close to Hunt. The only thing they have him on right now is the phone call to Magruder," so far as Jeb knows. But his attorney then chimed in, and said, "I think the U.S. Attorney has a good deal more because the U.S. Attorney told the lawyer that Hunt had re-perjured himself with respect to Colson." — when he was called back in under immunity and testified as to the break-in, and the capture of the burglars, and the cover-up. Mitchell, LaRue, Mardian and the lawyers basically —

P. Plus Magruder.

E. Dean devised a cover story, in concert with these other people, and enlisted Bart Porter who went to the Grand Jury and perjured himself in concert with the cover story. Dean prepared Magruder and others for the testimony at the Grand Jury, cross-examining and getting them ready.

E. Likewise, he leaked out information from the Grand Jury to the people at the Committee for the Re-election. The U.S. Attorney knows that he did that. It is illegal to do so.

P. Did he say where he got it?

E. He got it from a higher-up. Now, I assume that's Henry Petersen, but I don't know. OK, with Magruder and Mitchell in the operation of their—this cover story about these meetings. And they worked out a deal where they had cancelled one meeting — the million dollar meeting — and the second meeting which was the half-million dollar meeting — they told the Grand Jury they —

P. He's testified to all this?

E. Yes. They talked about election laws. Yeah, he's just told the U.S. Attorney all this. He (unintelligible) destroyed his diary, but he couldn't do that. There's a million and a half dollars in cash that was distributed.

P. (expletive deleted)!

E. LaRue and Stans know about it. There is "the famous list" of where that money went. I don't know. I am going to have to check my notes with O'Brien. O'Brien may have told me about that. He may have given some idea of where that went. The three fifty is a part of that. Mitchell says to Magruder, "Don't talk."

P. Discouraged him. What about Haldeman?

E. Haldeman's very much a target of the U.S. Attorney. So far they indicated that he was implicated only by association with other people—meaning Strachan presumably. And the attorney gave me his private evaluation, that it was a little puffing on the part of the U.S. Attorney. He did not think that they had anything. Reisner and Powell Moore—Powell Moore is somebody on Timmons' staff who was at the Committee and who accompanied Liddy on what are called "The Saturday events." The Saturday events are the events that took place the day after the break-in Liddy went out to find Kleindienst at Burning Tree and told him to get them out of jail on orders from John Mitchell. And LaRue, of course, and Mardian, largely on obstruction. They are developing many counts of obstruction of justice. One of the attorneys then, in winding up, I told—I gave Jeb your good wishes and felicitations and so on and one of the attorneys said "Well, you know, in all this there is not a scintilla of evidence that the President was in any way aware of any of these transactions." And he said, "Well I didn't say that for any purpose except just to express to you an impression I have about the way this thing's going." He said, "Literally tens of dozens of people down there crying to be heard by the U.S. Attorney. And he said, "This thing is rapidly deteriorating." But he said, "In all of this I don't see any evidence of the involvement of the President." So that was that and I thanked them and sent them on their way. Now I have the Attorney General of the United States sitting at home waiting to go to this dinner pary and I have the Deputy Attorney General out of town. But as Bob points out, there isn't anything in my report that isn't pretty well covered and expanded on in what we just got from Magruder. But I think what I can do is call the Attorney General, tell him what I was going to tell him, tell him that Magruder has just disclosed to me what he has shown to the U.S. Attorney and that I really don't have anything to add, but that I did want him to be aware of the fact of the work that was done, and what I have done today. And, ah—

H. Meetings which you had with Mitchell and Magruder.

E. Yeah.

H. Purpose of your meetings was to make the point to them that they should not go on—on the misguided assumption that that was for the Presidency, which is what Mitchell is saying.

E. Right. This says that the meetings in Key Biscayne existed long after—

P. What is, what about Strachan? Strachan says you did not know about this.

H. Can I give Strachan a report on this?

P. Sure. What is your view about his perjury?

E. I don't know.

H. He's going to the Grand Jury Monday morning. That's why it's better that he be given this information so he doesn't perjure himself.

P. Right.

H. I don't think he's testified on any of this so I don't think he has any perjury problem. What he has to do is prove the defense that—

P. Meets these points.

H. Meets these points and—

P. Good.

H. And he could—he can keep himself as an office boy, which is what he was. An office boy. If he lied about a thing—he persuaded Gordon to keep Liddy on—Jeb to keep Liddy on—I would think he would argue back that—"Jeb said to me, 'well, what should we do?' and I said, 'I think you better keep him on—he's getting good stuff.'" Don't you think so?

E. I think Gordon knows how to deal with that if you give it to him.

H. Now, I went back to Gordon today on this (unintelligible) and he said, "Absolutely, there was no other money." That the only deal was for a fella to handle that according to what Howard told him—that's who they sent the money over to.

P. For (unintelligible).

E. Well, we got Magruder, now, in this pickle. He's still on the government payroll in the Commerce Department.

P. In Commerce?

E. I think it is Commerce. I thought he was.

H. Now, this has been his second time around. Let me tell you what my concerns are. When he got down to it, he told the truth. And when he is talking about us, at least, he is bringing us into it. He will, for instance, he will want to elaborate on the Sandwedge and say I was involved in it. Now, to the extent that I listened to a presentation, I was. But I, at the time said, "This is something I don't want to be involved in. Something that should not be handled in here. Don't come to me any more with it," and they didn't. And then he will say I was involved in the meetings. That he came to me after that second meeting and said, "They came up with, ah, plans, with a preposterous plan." I told him that, "It can't be done." They shouldn't even be talking about it in the Attorney General's office. I said, "John, get out of it. You stay out of this, too." And he did. He said he would stay out of it from then on, and I suspect he did. They'll tie me in that way—by indirection in a sense but, the problem, he'll, I think, is people with him. Maybe that sounds like "everyone go down with the ship" but, ah, when it comes to this cover up business—

P. Expending on, ah?

H. Yes, he has a feeling—the three fifty. I am not uncomfortable with that, but Dean, Dean is.

P. What do you do about Dean? In other words, John—

E. The U.S. Attorney's got to—

P. But Dean has been—

E. I think this all has broken since. I think they were probably playing their cards closer.

P. And, now—Magruder testifies.

E. I think that's their analysis.

P. Yeah.

E. I think they are after Colson, you, me and by me, I say to the highest level provable—objective.

P. Let me say that this tends to—ah—with the Ervin Committee overhanging—

H. One, with these each day, occurred for months.

E. Well, looking at the time. I should call Kleindienst to be sure I catch him before he gets out.

P. Why don't you call him?

E. If I can find him.

P. All right.

E. That's the only thing I'm thinking about—is that, with the thing on—

P. I see.

E. If it turns out I call him (unintelligible)

P. I don't see how McCord can be put on now without prejudicing the cases of the defendants.

E. That's right.

P. I mean—I would try to go to Ervin and tell him not to do it.

E. Ah, Jeb's attorneys felt that they would do so, and they say that there are cases that would require it.

P. What about negotiations with Ervin on Monday?

H. I have a feeling that Ervin would be delighted. This would give him a chance to prove his case better. "You will have more than you have here."

P. Yeah.

E. He would be delighted to. He's going to think it solves all this stuff.

H. I'm not sure it does this. At least it should get them to the ribbon.

P. Yeah.

E. (Telephone call) Hi, General. How are you?

E. How was the golf?

E. First half good?

E. I want to bring you up to day on what I have been doing. For about the last three weeks—well, since I saw you, before I saw you out in San Clemente—the President has had me trying to gather together, as you know, a certain amount of law and facts to be in a position to kind of substitute for Dean, and to advise him on the White House involvement, but even broader involvement, in this whole transaction. Yesterday, I gave him my summary and, admittedly, it was hearsay, but some of it pretty reliable. And the whole thing fit together pretty well as, at least, a working hypothesis. One of the things that I told him was that I had encountered people who appeared to be reticent to come forward because they somehow

felt that the Presidency was served by their not coming forward. So he had me today, in a series of conversations with people, to straighten them around of that point. The first one I talked to was your predecessor. Then I talked to Magruder, and—

E. Well, as it turns out, I was just a little late in talking to Magruder, because he had just come back from telling everything to the U.S. Attorney. He has decided to come clean.

E. Yep. He had his informal conference minutes before he came in to see me.

E. Dramatically inconsistent.

E. And he implicates everybody in all directions up and down in the Committee to Re-Elect.

E. Yep, cold turkey. My instructions after I had completed—well I might say I also talked to a couple of other people who are around here just to pass the word to encourage them to testify, if the only reason they were not testifying was some concern about the Presidency. Also, being very careful to say that I recognized everybody had rights, and that it didn't mean in anyway to indicate that they should not avail themselves of their full rights. Now, Magruder then—

E. Yep.

E. Yep. No question.

E. More than just a participation in a conspiracy, Dick.

E. Yes, they are principals.

E. Well, I must say that my conversation with him was reassuring in that regard. He is very steadfast in his protestations of innocence.

E. Well, the Magruder case is not only testamentary but is circumstantial—is persuasive to me.

E. I saw Mitchell first. I didn't have all of this Magruder business. Now, here I am a citizen of the United States and the designated inquirer of a body of information. My purpose and intent was to advise you of this when I got finished with this process and tender this information for whatever purpose it would serve, recognizing that up until just a few minutes ago it was almost entirely hearsay. Magruder has just unloaded on me the substance of his conversation with the U.S. Attorney—informal conversation. And I find that I now have very little to add to what Magruder had already given the U.S. Attorney.

E. I felt that I should go forward and at least advise you of this and to—

E. Let me spoil your afternoon completely, will you? One of the things Magruder told me was—and his attorney who was with him corroborated—was that they are very concerned about Dean's facility for advising people at the Committee of the proceedings of the Grand Jury.

E. Well, he was apparently informing Magruder and others of what the Grand Jury was saying and doing.

E. And Silbert or someone else said to his attorney, well, we know the source of Dean's information and it was from higher up.

E. Well, anyway, there—

E. there's that. In any event, I remember what you told me before, and I originally had thought that perhaps something would be served by you and Sneed coming in and the three of us visiting, but this thing has taken the Magruder bounce, and I am inclined to think now that you ought to just tell Sneed the substance of this conversation.

E. That is probably just as well, don't you think?

E. Yep.

E. He can make the decisions that need to be made from here on.

E. Well, I think the President's feeling is that Sneed could do that.

E. Well, I think he is pretty firm on that.

E. OK, I think you should on Monday.

E. Alright.

E. I understand.

E. OK. You give it some thought and we will too, and then we should talk on Monday.

E. Uh, huh.

E. Alright.

E. Rogers passed those along to me.

E. Yeah. A list. Ok, my boy. I just wanted you to have a nice time this evening.

E. Don't forget my tender that if there is anyway that any of this hearsay of mine that I have collected is in anyway useful, I would be glad to make it available. My present thinking is that it could add very little to what Magruder just told me.

E. Prejudicing anybody's rights.

E. That is why I am calling you, my dear.

E. Well you are my favorite law enforcement officer.

E. Do you want me to give you anything additional on Monday?

E. What do you mean? Mitchell and Magruder.

E. Well, no I have been talking to people for three weeks. I have talked to everybody but the milkman.

E. And outside, and people's lawyers, and every damn thing.

E. Yes.

E. Alright.

E. The President.

E. You know I have talked to him.

E. Well, I have talked to them and in some cases they know I have talked to other people.

E. Well, they know that because they knew the source of my leads, etc.

E. Dean, LaRue, Mardian, Porter.

E. No. He is largely implicated on the obstruction of justice.

E. Yeah.

E. From stem to stern.

E. Yep.

E. He just was having a terrible time living with it, and he didn't see any point in waiting any longer. His attorneys said they analyzed it very carefully, and see no advantage of getting it in and out.

E. A couple of very bright guys. I have their names over there, but I can't tell you now. Bernbaum and somebody else. Sears, I think is the other guy. I don't have the names right now.

E. Pardon?

E. Sure.

E. Sure.

E. Alright, let me know.

E. Thanks, Pal. I will see you there.

E. Oh yeah. I am going to go and see Bernstein and what's his name, get their awards.

E. Alright.

P. Let me ask you, John, about Colson. Everything that has been said, despite the fact of how accurate—it would be consistent with Colson's not knowing the Watergate defendants?

E. Magruder doesn't lay a glove on him.

P. But he says they're hot after him. Of course, the only thing They would be hot after him is on the—ah—Hunt.

E. His connection with Hunt. Their premise apparently is, according to their lawyers, that everything Hunt knew, Colson knew.

P. But Hunt—then Hunt therefore will—they'll try to get him to come in and lay a glove on Colson.

H. It would be Colson's role (unintelligible)

E. Well, Kleindienst says—for reasons—I have to be *very* careful about who I communicate with, for the next little while.

P. OK.

E. He wants me to meet with Henry Petersen tomorrow. I'm possessed of information establishing the commission of a crime. And I've got to be darn careful about who I talk to.

P. Sure. Oh—ah—things that you've found out.

E. Yeah.

P. Ah—as to who?

E. He says Sneed was detached from Watergate—was in a perfect position to act on it, but he wishes we'd get a special prosecutor.

P. (Unintelligible).

E. He wants to talk about it Monday and

P. Do you still think that's a bad idea?

E. I think it would be very bad. All these people—prosecutor

P. I want you to say that to him tomorrow.

E. I sure will.

P. I have just decided against it. Well, if you could hear me—Why raise this—"he's considered it. Thought it through. He doesn't want a special prosecutor because there's no question with the people you've got. They're doing a hell of a job here. As the cases will point out. And we should throw them out, we'll throw them out now. Let them continue—" Correct?

E. Yeah. I agree. Interesting, the interesting fact—The U.S. Attorney for the District of Columbia has just had Magruder in the office and can sew up the case.

P. Yeah.

H. (unintelligible).

P. Yeah. John, when you get to that, would you let him resign?

E. Well I don't think—

P. I don't think he has to.

E. I think he may want to, and if he does want to, I think he should.

P. If he does want to you could put Sneed in the job?

E. As acting and you get somebody damn good.

P. You wouldn't keep Sneed in the job?

E. I don't think he's, he's—

P. You'd rather have our friend over at HUD?

H. Somebody like him—yeah.

P. Well, we need somebody that's good.

E. You should have a spokesman.

P. Where?

E. Yeah.

P. Ehrlichman should get out the facts that he has made this investigation, that we weren't drug kicking and screaming into this thing. I don't know.

E. I may have a legal problem. I'll talk to Dick tomorrow.

P. Yeah—it may be a real problem.

E. And if it's not a legal problem, I'll have a question Monday for Ziegler on what Mitchell was doing at the White House. "Just say he was here talking to me."

P. "The whole matter has been referred to the proper authorities."

E. Yeah, he'll have to.

P. And he'll say, "Oh that's been given to the proper authorities." That's what I would think.

H. All he has to say is—why can you just say—

E. Huh?

H. Unless you want that authority to say you've been investigating.

P. That's the whole point.

E. Gives you an opportunity to say you've been investigating.

P. With regard to the hearings, shouldn't we—and at least put this one out? First, the hearings when they eventually come are going to be anti-climatic in my opinion.

E. Could be anti-climatic. The networks might just not want 'em.

P. Because of the fact that the big fish have been indicted?

H. Can't tell.

P. And so forth.

E. Or you may have Weicker saying "Why haven't these guys indicted him? And you could say—

P. I think I have reached the conclusion, just the two of you—I know Ziegler will disagree with the conclusion, but it's a loser for us to continue trying to say that—I think you've got to say, "I think we ought to go, to go on that. What do you think Bob? Let's be forthcoming on that and get that out fairly soon. I've got to get some appearance of cooperation. You agree, Bob, or not?

H. I do.

P. Now the question is what do you do about Dean. That may be moot. For that reason I would say—I—

H. Does Magruder guess that Mr. Dean's going to be indicted?

E. Magruder does not link Dean with the break-in and the bugging.

P. No, but he says he was there—

E. He's in the inception.

P. Yeah.

E. But they have that on him.

H. But he's in a wholly (unintelligible) all he had to do—reject this plan—

E. Sir? And he is not a participant in the Liddy, Magruder quarter-million—take it to Florida—plan. He is no link at all to the plan that was carried out.

P. All right then—so they get him for what? They get him for the aftermath, the aftermath, and the obstruction. He has half a chance. Not much. They'll say that he believed that he has a constructive immunity on that.

E. But he doesn't have it any more.

P. No—(unintelligible) This would tend to bear out the Colson story that—It sounds like the story that he gave me.

H. (unintelligible) But Colson's interested, too. (unintelligible) tell us that Magruder had nailed him.

P. That's right.

E. It's established that what he told me was substantially what he told the U.S. Attorney.

P. I understand.

H. Anyhow you see we are interested in giving you all the information.

P. (inaudible)

E. I doubt it. Completely relaxed in this. A smile on his face. He wasn't shaking. He wasn't going to fight it.

H. Every time I've seen him—

E. He just said "I hope this isn't going to be for too long."

P. It's the right thing. We all have to do the right thing. Damn it! We just cannot have this kind of a business, John. Just cannot be.

H. According to Magruder—Magruder said the same thing. Of course, they think I'm just more trapped—

P. I think Mitchell is beyond belief or do you think (unintelligible)

E. Well, that's true. What it basically comes down to, of course, what, sure the circumstances—

P. But LaRue?

H. If LaRue tells the same story about—

P. and Liddy. Liddy, Dean—

H. Well, Liddy can't talk because Liddy's susceptible—

E. But Mitchell says I can see that Liddy has done so and so and so and so. And Liddy says, "Boy that's crazy, look here—" I saw him on this day, and this day, and this day—

P. How about Dean? One other question. About the Haldeman statement: should it be made now?

E. Can't hurt anything, not hurt anything. It would have to be broader on Strachan.

P. The point that I am wondering, you see, I don't know. What does he say of Haldeman?

H. Said that (unintelligible) Strachan did anything.

E. No.

P. Did participate?

E. I suspect Strachan is not going to corroborate anything. "My relationship with the committee was to (unintelligible)

P. Yep. No harm in putting that out. What the hell. You've got to get it out. What do you think, Bob?

H. I don't think it does, but I am somewhat, you know puzzled by it, in my own assurance that it's a good idea. It's the feelings of the Kissingers and Zieglers that it's a disaster for me to be out front.

E. You're not about to be out front.

P. I—the point is Bob, that, you have—

H. to be that far out front before this hits. And then this hits. It puts me in the league with it, is what they would argue.

E. The story of the new found freedom he's made, will run around and tell everyone in town. He just launched into this, you know, I didn't ask him—

H. You can understand that. A guy says—he's been constipated for eight months and all of a sudden was able to take a crap is going to enjoy it.

P. Why don't you make a deal on Monday for this. That because, it'll be (unintelligible) and we'll take all the people, any members of the White House staff, with any privilege, any executive privilege waived reserved to be decided in executive session. How does that sound to you?

E. Well, my position would be that they don't get to decide the question of executive privilege. We decide that.

P. Oh you—you would say—(unintelligible)

E. We say we are going to send our people up there and we don't care if you have television or a night in a damn circus tent. You can send them up there and every question is subject to research under objection for executive privilege. We are not going guilty.

H. What do you do with my knowledge of hearsay—I just throw it all out now?

E. No.

P. You don't do it? Well—

E. I have gone into that in great detail with Ervin and he agrees with the concept that we are conduits to the President, that anything that was given to us is privileged.

P. He agrees with you, in other words.

H. If anything is given to the (unintelligible).

P. I would say, "We will give you Dean in Executive session." How does that stand up? Or, start with Dean.

E. I did.

P. But you see, you get in a position where you can say, they claim precedent because of the nature of the situation—to make the substance part public.

E. I must say that I think part of the trouble with our agreement—

P. Yes.

H. John Dean may be into this where they can't call him anyway.

P. That's what I'm thinking about.

E. Yeah.

P. You see I'm, I'm just thinking it through on this one. It appeared to be forthcoming and that I wouldn't let the Dean thing be a fracas, if not necessary. I just think that that's one move you can make now at the present time. I just go—I think I'm a proponent of the idea that "buy a good headline for a day" and invite Dean back for later on. But we're going to get beat on the head and shoulders. Let's face it. We're going to get it until the Grand Jury indicts and then, that would be maybe another three weeks. After that, when they do indict, then they'll say, "Mr. President, what the hell are you going to hold Dean to the (unintelligible)?" I think we've got to do that. I just feel it's one of those things. To announce it, that I make it tomorrow night. Would you do that?

H. To repudiate that today, you know, that means Tuesday.

(Unintelligible).

P. Maybe we should, I think, I think we've got to get bouncing. There's another thing I'm thinking of, Bob. I'm thinking of the fact that this is here now, may make the hearings a hell of a lot less interesting and also a lot—they sure as hell can't—

P. Sure.

H. I hate to see that stuff keep getting obstructed by Watergate. That isn't the problem. All of this stuff is going to make Watergate. This makes Watergate look a lot worse than it really used to look.

P. This does? Oh, I say it does because it involves many people. And in that way—

H. That's our problem. Shouldn't people leave before this gets out? Is that—Dick was saying before it was going to be made by Dean, but now it's Magruder's on the apple sauce. "What, can they sit around—"

P. Well, for one thing they want to get all the others; if you want to get all the obstructions, you've got to hear all these people.

E. Not all of them, but they have got to, they got about five people—they got Hunt up.

P. Who, who?

E. They make their case from the time that they vote on indictments. They may recess the Grand Jury for a couple of weeks.

P. Well, you have the—a little later we've got the (unintelligible). Say you're not going to do it because of Dean.

H. If the situation's going to get worse, then you maybe have to do something. If this is as bad as it's going to get, then, if this is going to change in a different direction, maybe you're better off not doing anything. Of course, the alternatives are, it's going to get worse. In other words, if you think you're going to swing, there is an actual danger, then the Republican House will meet and pass a resolution calling on the President, and probably a unanimous resolution.

P. I think it's very close to that right now. I think this would trigger it, without question. They would be so horrified about that—

H. Could be. He says it's not going to satisfy them. He says this pretty much establishes the Watergate thing and then you say to people like Goldwater, the people that want this done with are going to—You've got to look at the other possible boxes to say, "Well, thank God, it's all been cleared up now. Let's forget all this other—" And some will say, "It's now clear the White House wasn't involved, and thank God they weren't And it's clear the President wasn't involved and thank God he wasn't. It's a tragedy that that great man, John Mitchell, was."

P. And that so many people at the Committee were.

H. And then, everybody will dwell on that.

P. Except that you've got a fair chance that Dean will go. A fair chance that someone will break.

E. I would spotlight it as the umbilical cord at the White House and the Committee and the question will be, "What is the other end of those umbilical cords?"

P. Then, you don't think—You don't think there's much—Dean, no, Dean's high enough.

H. The believable mess of it is being answered by this. "There is—somebody higher than Gordon Liddy had to have agreed to spend a quarter of a million dollars to bug the Democratic National Committee."

E. Now you've got that somebody.

P. That's Mitchell.

H. Now that you've got somebody who was, you're got a believable case where you can now say, "Well, so there was some other stuff going on but this was where the problem was."

P. I don't know what the stink—

H. Maybe the answer—

P. I'd just like to get Segretti out in our formal—Don't you think so?

H. Yes, you've got to get it out. (Unintelligible)

P. Haldeman. Just say that Haldeman (unintelligible) and let's see what they say. Huh?

H. If it says Haldeman commits guilt.

P. I know.

H. What I want to do—

P. Yeah.

H. The Ziegler or Kissinger view is very strongly that that's what I shouldn't do. I'm the last guy to decide who to—should do it.

P. Yeah. What do you think, John?

H. John thinks I should.

E. I think we should come out.

P. You come out like I do. Several of the Republicans—

E. Now as I say, I haven't heard Henry's—

P. No, I've—several other Republicans and the like will come out after that and say, "Haldeman should resign because of his involvement in the Segretti matter."

H. You have to say I do have to resign or you defend it.

P. All right. Defend it.

H. Or you defend it. You can't, I don't think you can ignore it. If I've done that you've either got to—you've got to make the judgment that that was sufficient to cause me to resign or it wasn't. That's the first question of the first person. (Unintelligible)

P. You think that Haldeman ought to resign, you mean?

E. Yeah. Ziegler can, the next day. "His connection to this was very remote, was very benign." And he helped unwrap it, knowing that—stepped forward—we established that a crime was committed by Segretti.

P. I would not be as strong for your taking it out, except for his having said "self-incrimination," the fact that that made him—

H. You've got a really—a punchy decision which is whether you want me to resign or whether you don't. That's one you've got to figure out. The problem with that is if I go on the basis of the Segretti matter, you've got to let Dean go on the basis of his implication, which is far worse.

P. Yeah.

H. Strachan's already out of the White House so that's no problem. If he's going to ring Ehrlichman in, you are going to have to let him go.

E. He's got sort of a hypothesis in that he is developing in our conversation that—that—referring him to Kalmbach—which is actual. As a matter of fact, I didn't refer him to Kalmbach. He came to me and said, "May I go to Kalmbach." (Unintelligible)

P. Go to Kalmbach for the purpose of——

E. For the purpose of getting Herb to raise some money. For the purpose of paying the defendants. For the purpose of keeping them "on the reservation."

P. Right. With that they could try to tie you and Bob in a conspiracy to obstruct justice.

E. That's his theory.

P. It's rather questionable.

E. Well, I'm not so sure that makes any difference at this point. The coloring is—the key was in their pocket.

P. Well, (unintelligible).

H. Strachan's position is totally true—without giving him any help.

P. I know. The way you have to handle that, let's face it, it is there, of course. You've got the whole business of the aftermath, as to motive. And there, if you or Bob were asked, what do you say?

E. Well, as far as I can read obstruction and I may be putting favorable (unintelligible) concerned about what these fellows are going to testify to. The Grand Jury (unintelligible) so that they could go out, sell their stories to one magazine or another.

P. Sure, John, you are not particularly concerned about that?

E. I was concerned about that, particularly Hunt who is a kind of an author type and would be inclined to do that kind of thing.

H. And that is no part of who was or wasn't guilty or where the thing led.

P. I see.

H. That's exactly right. We weren't protecting anybody.

E. I'm even willing to buy that.

H. I know, and I said that to John, and John didn't agree with me.

P. I wish we could keep Dean away from that. Magruder—we don't have to get that (unintelligible). Let me say—let's sleep on what we do with the—ah— My view is though, I think that the odds are, that the interest in the Committee is less. What they are after is some of the big fish. The second thing is going to be——

H. "A lot of people are going to say, you solved the Watergate—now, forget it." And not come to this.

P. Some of our people can say, "That's tough, now what do you want to investigate?"

H. To folks out there just say, just give an answer and get it out of the way. That's all. They don't care.

P. It's really such a bad thing. And he'll come in, plead self-incrimination, and clear him.

E. Be lively—copy when they start bringing in all these people from around the country. What they did or who were victims, you know—

P. It'd be lively copy, John, but it's so spongy.

E. Yeah. —Lively.

P. It's not good stuff.

?. (Unintelligible)

P. Well, let me explain my analysis. The—In my opinion, Bob, the forthcoming thing which I think. I tilted against—I think. I am now tilting for. I think any move right now—

H. I think you've got—if you're going to do it though, I think you've got to face the likelihood that Magruder or somebody is going to call for my resignation. I hired Segretti. I did hire Segretti.

P. You and Strachan.

H. Yeah. The stuff over a period of time will have come back with these—

P. This is the first time?

H. You've got a couple of others who should have been caught.

P. We've got to face that.

H. You might want to try to tie it to a resignation at the time I do it. On the basis that, "Well, here is a mistake, and I have no problem with it. But I'm also not going to—not troubled with—don't want to shut down—without my sticking around—"

P. (Unintelligible) ought to resign which I (unintelligible).

H. I'm not suggesting—I'm not suggesting I'd like to resign. I would not like to.

P. Yeah.

H. I'd be willing to, without creating any sticky problems.

P. The duty of our, all our, the duty of our whole staff though is to play their role—

H. I'm free from some other things that I can cut loose, which I could do. The problem that is there on the other side is, there is some pluses to it. What about that?

P. With an Attorney General added in?—And a White House Counsel, possibly.

H. Pretty big bag, John.

E. The biggest.

P. Policy, that's the point.

H. Yeah.

P. As far as equal protection, perspective, but it'll take some time.

H. Assuredly (unintelligible).

P. I see.

H. Well, fire some people, because you cannot—

P. I have given them leave. If they should not fall under indictment, they can continue their duties.

H. If they intend to plead innocent.

P. You know in the United States the chances are, you're going to plead innocent or guilty. And if you're going to plead guilty—innocent—Fine, you are suspended, I'll tell you when you can concentrate on the—

E. Sit out the Ervin negotiations and how we get out the investigation and all this.

P. Well this—as I say—I want to keep Ervin at the (unintelligible) but I kind of feel myself that (unintelligible)—

E. With that being the case, and the Dean material—not to wait for him, to come in—maybe there's no need to grapple with it.

H. If he breaks off, you could be affirmative with the Committee—

P. I think—

E. My exponent—

P. Yes, and what would you say? You could say, "The President is directing this—he's not into (unintelligible)." Say, "Look here." (Unintelligible). I don't think that's needed tomorrow. I think that, I think you ought to meet with Ervin and cut the deal and then even though there isn't much of a compromise. You could say, "We worked on a compromise under which there is an Executive session. Dean goes—

H. Dean goes free.

P. Dean in Executive session is a very nice way to cut a loss, huh?

H. (Unintelligible).

P. Oh, that's not to you, Bob.

P. We put a story out which will keep the enemy a little cool for awhile, huh?

E. Not only that, but you can date it back to negotiations commencing two weeks ago, three weeks ago, whatever it was.

P. Yeah. Yeah.

H. You put it out my statement at the same time?

P. The next day.

H. Wednesday.

E. Wednesday. You should put my statement out on Wednesday also, or wait until Thursday for my statement. I think we better be right out in the open—

P. That's right. I'd put yours out right with it. You're going to have the next day to build it up a little.

H. No—you don't want to build it up.

P. Put it right out. The problem here, let me say, in your case, is not Segretti. I think we should go with the Segretti stuff and then—The problem in your case is Strachan. I mean the—keeping the (unintelligible).

H. (Unintelligible)

P. Oh, yes, you will testify on that.

E. Sure, and it's secret. The question is whether Strachan is indicted or not.

P. If he is indicted?

H. I think I've got to cover myself on the Strachan thing, as you say, in such a way so that if anything does happen it's covered and you can go back and see I said this guy—should not be built up as a central figure, nor should I start to explain his every action. I can't. Some of his actions were obviously carried out unilaterally. I think that's overly objective.

P. I think some of Magruder's stuff could be pretty lively. I think it's probably basically true. How do you remember back that far? Think of that—

H. You can't be that precise—

P. You can't be that precise—You remember the things that you want to remember, pretty much.

H. Well, especially when you've lived through a whole series of varying, very heated drives—

P. Careers.

H. Like he has.

P. Careers. You've got to remember now, Magruder is going to be as potent a witness, and again—

H. Strachan will be a strong witness too, and they're going to—

P. And they will say, "And who's going to lie? I mean, here's a guy who has a record of lying. He lied. Are you going to take his word against Strachan who did not lie. He came back to the U.S. Attorney."

H. We can produce people around here who can give you five different stories that Magruder's told.

P. Who?

H. Don't you think so?

P. What do you think Mr. Colson is going to be doing? You're not going to tell him this, are you? I wouldn't think so.

E. Colson is undoubtedly sending all kinds of signals to Mr. Hunt—

H. And that Chuck is overkill. He is his own worst enemy. Where the hell do you quit?

P. (Unintelligible)

E. He says that the *New York Times* has a story that he was here for a meeting with me yesterday.

H. He acts like it was the first time he has ever been into the White House—(Unintelligible).

P. Well, you fellows need a rest.

H. Rest? There's that damn diner.

E. We'll grin at the White House Correspondents.

H. That's no rest, that's work.

P. Well, a year from now. It will soon be different.

E. Oh, yeah.

P. Nope, seriously—

E. Six months.

P. Nope, sooner than you think. Let me tell you, John, the thing about all this that has concerned me is dragging the damn thing out. Dragging it out and being—and having it be the only issue in town. Now the thing to do now, have done. Indict Mitchell and the rest and there'll be a horrible two weeks—a horrible, terrible scandal, worse than Teapot Dome and so forth. And it isn't—doesn't have anything to do with Teapot.

E. Yeah.

P. I mean there is no venality involved in the damn thing, no thievery or anything of that sort of thing. Nobody got any papers. You know what I mean?

E. Yeah. That's true.

H. Glad to hear it.

P. The bad part of it is the fact that the Attorney General, and the obstruction of justice thing which it appears to be. And yet, they ought to go up fighting, in my view, a fighting position on that. I think they all ought to fight. That this was not an obstruction of justice, we were simply trying to help these defendants. Don't you agree on that or do you think that's my—is that—

E. I agree. I think it's all the defendants, obviously.

P. I know if they could get together on the strategy. It would be pretty good for them.

E. Well, I think, undoubtedly, that will shake down.

P. I would think that the U.S. Attorney's (unintelligible).

H. Thank you, sir.

E. Yes, sir.

Appendix 18. Telephone conversation: Ehrlichman and Kleindienst, April 14, 1973. (Approximately 6:00 p.m.):

K. Hi, John.

E. Hi, General. How are you?

K. Pretty good, how are you?

E. How was the golf?

K. Half good and half bad.

E. First half good?

K. Well, the middle was good and—

E. I want to bring you up to day on what I have been doing. For about the last three weeks—well, since I saw you, before I saw you out in San Clemente—the President has had me trying to gather together, as you know, a certain amount of law and facts to be in a position to kind of substitute for Dean, and to advise him on the White House involvement, but even broader involvement, in this whole transaction. Yesterday, I gave him my summary and, admittedly, it was hearsay, but some of it pretty reliable. And the whole thing fit together pretty well as, at least, a working hypothesis. One of the things that I told him was that I had encountered people who appeared to be reticent to come forward because they somehow felt that the Presidency was served by their not coming forward. So he had me today, in a series of conversations with people, to straighten them around of that point. The first one I talked to was your predecessor. Then I talked to Magruder, and—

K. It's pretty hard to talk to those two when they have testified under oath before a Grand Jury.

E. Well, as it turns out, I was just a little late in talking to Magruder, because he had just come back from telling everything to the U.S. Attorney. He has decided to come clean.

K. No kidding? Magruder?

E. Yep. He had his informal conference minutes before he came in to see me.

K. Would that be inconsistent with his testimony before the Grand Jury?

E. Dramatically inconsistent.

K. (Expletive removed!)

E. And he implicates everybody in all directions up and down in the Committee to Re-Elect.

K. Mitchell?

E. Yep, cold turkey. My instructions after I had completed—well, I might say I also talked to a couple of other people who are around here just to pass the word to encourage them to testify, if the only reason they were not testifying was some concern about the Presidency. Also, being very careful to say that I recognized everybody had rights, and that it didn't mean in anyway to indicate that they should not avail themselves of their full rights. Now, Magruder then—

K. Let me ask one thing—

E. Yep.

K. As a result of what you just told me, it would indicate there is a substantial case of perjury against Mitchell and Magruder in the first instance.

E. Yep. No question.

K. So, complicity in the overall conspiracy?

E. More than just a participation in a conspiracy, Dick.

K. They would be principals?

E. Yes, they are principals.

K. Uh. I can't believe John Mitchell would have ever known that and let it go on.

E. Well, I must say that my conversation with him was reassuring in that regard. He is very steadfast in his protestations of innocence.

Well, the Magruder case is not only testimentary, but is circumstantial—is persuasive to me.

K. But Mitchell denied it?

E. I saw Mitchell first. I didn't have all of this Magruder business. Now, here I am a citizen of the United States and the designated inquirer of a body of information. My purpose and intent was to advise you of this when I got finished with this process and tender this information for whatever purpose it would serve, recognizing that up until just a few minutes ago it was almost entirely hearsay. Magruder has just unloaded on me the substance of this conversation with the U.S. Attorney—informal conversation. And I find that I now have very little to add to what Magruder had already given the U.S. Attorney.

K. That's not good.

E. I felt that I should go forward and at least advise you of this and to—

K. John, at this point, it seems to me that you are going to have to be very careful.

E. Let me spoil your afternoon completely, will you? One of the things Magruder told me was—and his attorney who was with him corroborated—was that they are very concerned about Dean's facility for advising people at the Committee of the proceedings of the Grand Jury.

K. (unintelligible)

E. Well, he was apparently informing Magruder and others of what the Grand Jury was saying and doing.

K. (unintelligible)

E. And Silbert or someone else said to his attorney, well, we know the source of Dean's information and it was from higher up.

K. That is pretty speculative, because I don't think Henry Petersen would have told him.

E. Well, anyway, there—

K. I couldn't have because I didn't know.

E. there's that. In any event, I remember what you told me before, and I originally had thought that perhaps something would be served by you and Sneed coming in and the three of us visiting, but this thing has taken the Magruder bounce, and I am inclined to think now that you ought to just tell Sneed the substance of this conversation.

K. He and I have kind of agreed to stay out of Watergate things. He knows nothing about it, has participated in no conversations.

E. That is probably just as well, don't you think?

K. I think we better have one son-of-a-bitch in that Department—

E. Yep.

K. who's got—

E. He can make the decisions that need to be made from here on.

K. Yeah. I think at this point we ought to think very hard on the suggestion I made to you when I was out in San Clemente.

E. Well, I think the President's feeling is that Sneed could do that.

K. Sneed could do that, but you wouldn't have any credibility with it.

E. Well, I think he is pretty firm on that.

K. I would sure like to talk to him about it.

E. OK, I think you should on Monday.

K. I really would, John.

E. Alright.

K. Because there is no question but that Sneed can do it, not knowing about it. He was never there during any material period of time. He is, however, the Deputy Attorney General—a Presidential appointee.

E. I understand.

K. He is my subordinate. OK?

E. OK. You give it some thought and we will too, and then we should talk on Monday.

K. I've thought of Sneed in this role because he has stayed out of it up to now.

E. Uh, huh.

K. And I think that is why you might need a guy on the outside.

E. Alright.

K. Incidentally, there are two or three people who are suggested for that role. The Chief Justice contributed—

E. Rogers passed those along to me.

K. It's got (unintelligible)

E. Yeah. A list. Ok, my boy. I just wanted you to have a nice time this evening.

K. (expletive removed)

E. Don't forget my tender that if there is any way that any of this hearsay of mine that I have collected is in any way useful, I would be glad to make it available. My present thinking is that it could add very little to what Magruder just told me.

K. Thinking of Magruder as a primary witness type. You better be very careful what you do from here on out, John. Don't put yourself in the position of—

E. Prejudicing anybody's rights.

K. With respect to the Commission—

E. That is why I am calling you, my dear.

K. Yours is a very God damn delicate line as to what you do to get information to give to the President and what you can do in giving information to the Department of Justice, you know, to enforce the law.

E. Well you are my favorite law enforcement officer.

K. (unintelligible)

E. Do you want me to give you anything additional on Monday?

K. Who did you talk to, John?

E. What do you mean? Mitchell and Magruder.

K. Those are the only two?

E. Well, no I have been talking to people for three weeks. I have talked to everybody but the milkman.

K. People on the President's staff?

E. And outside, and people's lawyers, and every damn thing.

K. Until today, when the Magruder came up, did you come across any direct evidence that in your opinion amounted to conduct that violated the law?

E. Yes.

K. You did. Let me talk to Henry Peterson and see what line we ought to follow here.

E. Alright.

K. Who else have you talked to about this besides myself?

E. The President.

K. But also the person that you talked to who would give you information about the commission of a crime, who did you tell that to?

E. You know I have talked to him.

K. No—you talked to people that gave you this information.

E. Well, I have talked to them and in some cases they know I have talked to other people.

K. Yeah.

E. Well, they know that because they knew the source of my leads, etc.

K. Who else does Magruder implicate besides himself and Mitchell?

E. Dean, LaRue, Mardian, Porter.

K. Magruder will say that Mardian knew about this before the discovery?

E. No. He is largely implicated on the obstruction of justice.

K. After the happening?

E. Yeah.

K. He puts LaRue in?

E. From stem to stern.

K. Did he make any statements with respect to the use of campaign monies to pay these guys off? What do you know about that? Fred LaRue is going to go to jail. I guess you know that?

E. Yep.

K. What persuaded him to do that?

E. He just was having a terrible time living with it, and he didn't see any point in waiting any longer. His attorneys said they analyzed it very carefully, and see no advantage to getting in and out.

K. Who is his attorney?

E. A couple of very bright guys. I have their names over there, but I can't tell you now. Bernbaum and somebody else. Sears, I think is the other guy. I don't have the names right now.

K. Are you going to be in town Monday?

E. Pardon?

K. Are you going to be in town Monday?

E. Sure.

K. Are you going to be in town tomorrow?

E. Sure.

K. I might want Henry and I to get together with you, just so we don't make any mistakes.

E. Alright, let me know.

K. Have a nice evening!

E. Thanks, Pal. I will see you there.

K. Are you going to that same dinner?

E. Oh yeah. I am going to go and see Bernstein and what's his name, get their awards.

K. See you tomorrow.

E. Alright.

Appendix 19. Telephone conversation: The President and Haldeman, April 14, 1973. (11:02–11:16 pm):

(Material not related to Presidential actions deleted.)

P. One thing that occurs to me Bob is this and, as I reflect a little on Magruder's stuff—

H. Uh, huh.

P. I'll be damned if I don't think some of that could be, you know, exaggerated. But I don't know—

H. That's right.

P. I don't know. I can't tell. He is obviously flailing around like a wild man at the present time.

H. No, no, he's not really. I think he was earlier. He was frantic, but once he figured out where he was going, I think he—

P. He thinks this is what he remembers now?

H. Yep. Uh, huh.

P. I am not sure that his interpretations on various things—they could be interpreted either way you know, like his interpretation on Dean, his interpretation on Strachan, for example.

H. Yep, yep.

P. Certainly—

H. That's right and there—

P. I just don't know how it is going to come out. That is the whole point, and I just don't know. And I was serious when I said to John at the end there, damn it all, these guys that participated in raising money, etc. have got to stick to their line—that they did not raise this money to obstruct justice.

H. Well, I sure didn't think they were.

P. Huh?

H. I didn't think they were and I don't think they did.

P. Well—

H. With maybe some exceptions.

P. Right, right. Of course, I suppose there they will say, like McCord has said, that that was the purpose. That somebody told him that. That doesn't mean antyhing.

H. Yeah.

P. The question, of course, is Liddy and the others. But we shall see. It is the word of the felons against the word of the men that raised the money, huh?

H. That's right. Well, you just—You don't know how much will come out in what way either. I mean that—

P. No, we, at least I think now, we pretty much know what the worst is. I don't know what the hell else they could have that is any worse. You know what I mean. Unless there is something that I don't know, unless somebody's got a piece of paper that somebody signed or some damn thing, but that I doubt.

H. It doesn't appear that there is such a thing. I mean there has been no hint to that. What you hear is all stuff that has been hinted at. It goes further than what was in some areas, but it's obviously totally consistent, basically, with everything John has developed.

P. Let me ask you this: I wonder if it is not only fair, but in our interest, for either you or John without going into too much detail to fill him in on Magruder? I mean, having in mind Colson could—

H. Who's (unintelligible)

P. Colson. I mean we have no interest—you know what I mean—in getting him up there, you know, guilty on a perjury charge.

H. Of course there is nothing Jeb said that is inconsistent with anything that Chuck has said.

P. Oh, that could be right. Chuck could say, yes, the Liddy project was something else.

H. That's right. That's what he does say.

P. He does, huh?

H. Yeah. And as Elrichman said—under questioning, they specifically said that he didn't get into any specifics on it, and they have nothing that hits him on any specifics. And I think he's probably clear on it.

P. I think he believes that, Bob. I know—

H. I do too.

P. I think he believes that.

H. I have thought that all along.

P. Well, we will sleep on the damn thing and, what is the situation tomorrow? Is Ehrlichman going to sit down with Ziegler again, or something?

H. Yeah.

P. I do think that PR thing we've got to sort of make up our minds on what the hell—

H. Sir, I want to get at getting the statement done.

P. And we've got to get at sort of make this decision with regard to this damn Committee. I don't know—

H. Yep.

P. I still have mixed emotions on it. I don't know, I don't know. I have been one way one time one way another.

H. Well, it's a mixed bag. It has pluses and minuses, and it is hard to be sure which outweighs the other.

P. One more scenario would have been to say they will all come up. Everybody will come up in Executive Session including Dean. Just say that. Make that offer, and that's flat.

H. Yeah and that gets turned down and then we're standing on the question of—The way it will be played is not that the Committee is being unreasonable by insisting on television, but that we are being unreasonable by insisting against it.

P. Well, that would be true unless you go out and hammer that the whole record could be made public.

H. Yeah.

P. It's only that we want information, not a show——

H. Yeah.

P. And that we think it is reasonable.

H. The question then is that you lose something obviously by doing that, and do we really gain enough to make it worth it? How bad is it if we go on television? I am not at all sure it is all that bad. In the first place, it is going to be in the daytime. In the second place, as of now it is not going to be carried live by the networks.

P. Yeah.

H. Now it might be, but I would guess it won't be after this other stuff breaks, it isn't going to be that important any more. The networks don't want to carry it. It would cost them money. What will probably end up happening is, it will be carried on the public broadcasting which has virtually no audience in the daytime.

P. Uh huh. I suppose what happens there is that every new break is carried for five or ten minutes in the evening news.

H. That's right.

P. That's the point.

H. It is going to be carried anyway. It is a question of whether it is carried for five minutes with one of us on camera for a couple of those minutes, or whether it is carried for three minutes with—

P. Weicker—

H. Weicker and John Chancellor and Dan Rather, saying: "trembling with fear and obviously trying to hide the truth, ah, . . ."

P. I wonder if you would do this? Did you discuss public or private thing with two people whose judgment is—Rogers and Connally? What did Connally think? Public?

H. I am not sure.

P. Would you mind?

H. I would have to reopen that.

P. Would it be alright for you to call him tomorrow and say, "Look, we've just got to make a command decision on this—"

H. Sure.

P. And I think you should tell—would you tell him about the Magruder?

H. Nope.

P. No, I guess not.

H. I can say the whole thing looks like it is coming to a conclusion—

P. Before the Grand Jury.

H. Yeah.

P. That's right.

H. Without saying anything specific.

P. Now, the other fellow whose judgment would be pretty good would be Bill Rogers on that.

H. Yeah. I agree.

P. I wish you would give him a call.

H. Right. I will.

P. I think with Bill, though, you could tell him, don't you think?

H. Nope. I don't think I should. In the first place, I am not supposed to know.

P. This isn't from the Grand Jury, Bob.

H. No, I know. But Kleindienst is worried about John giving the information to anybody, and that—

P. I see. You're right.

H. I don't see anything to be gained from telling him, anyway.

P. But you can tell him that our investigations indicate that the Grand Jury is hot on the trail of breaking the thing now.

H. Yeah.

P. And that is the way it is going to come. That—but if you wouldn't mind giving a

call in the morning to both of those fellows, and tell them you are calling for the President and that he would like to have their considered judgment, should you be on television.

H. Right. Will do.

P. And it may be on the Dean thing, I am almost inclined to think we ought to give on that. What do you think? The idea of backing down—they are going to take it back down anyway, so what's the difference?

H. That has never bothered me, but I guess I am wrong on it, because it sure bothers other people.

P. It bothers Ziegler and the rest, but—

H. I think we gain more by backing down than we lose. I don't think you have any problem of being the President. We're fighting enough battles anyway.

P. I would just say, because of all of these charges that have been around these men are entitled to be heard in public.

H. That's right.

P. And I want them heard in public, and I want them to tell their story in public. I am almost convinced that that is what we ought to do with the whole damn bunch and not try to stand on the Dean thing and the rest. Get a settlement that way. Well, that's my present view, Bob, and we can go on it. Another point. You do, one person you do tell and I—and he can still say that he just told him to tell the truth. You ought to tell Strachan, but tell him—

H. John is telling him.

P. John is, but not in a way that Strachan indicates that he knows what the other fellow said.

H. That's right.

P. Is Strachan smart enough to do that?

H. Yes.

P. He has to be prepared that he is going to be asked this and is going to be asked that. John should put him through a little wringer there.

H. Yep.

P. John is the one who should do it. He is conducting an investigation for the President.

H. Well, and he's got the information. I don't. I can reconstruct—

P. No.

H. part of it.

P. That's right. I agree. But John will know the questions too.

H. The specific points is what he needs to cover.

(*Material not* related to Presidential actions deleted.)

Appendix 20. Telephone conversation: The President and Ehrlichman. April 14, 1973. (11:22–11:53 p.m.).

(Material not related to Presidential actions deleted.)

P. I just wanted to see what your plans were for tomorrow?

E. I am going to come in about nine o'clock.

P. Right.

E. And see Strachan.

P. Strachan?

E. And, I have a couple of calls coming in. One from Kalmbach's lawyer and I want to see Dean in the morning also. I've got him coming in and I thought I would see Ziegler if I can work it in.

P. Uh, huh.

E. I would kind of like to cover several bases.

P. Let me say with Ziegler—the more I think about this, John, I think we ought to give him the full court. I don't think it makes a hell of a lot of difference to say hold on Dean. I would say since these charges have been made I think that the men in the White House staff that have been charged, etc. have a right to be heard publicly and that's that—under certain proper ground rules.

E. Ok—let me run that by Ron in the morning and get him accommodated to it, the coverage of it.

P. I know, but isn't that really what we should do?

E. I feel it is.

P. Then you should sort of separate out everything—haggle around and then maybe you could settle the damn thing tomorrow with him.

E. Alright—I am sure I can on that basis.

P. Say because these charges are just flowing around and leaking etc.—give him hell about that—and that we just can't have that thing.

E. Alright.

P. I was talking to Bob—and Bob made the point—he said, well just look at what will happen here. In a sense it will be the evening news basically—you know what I mean—they are not going to run it live—not now on the nets. And also there are chances of how much the committee can do, particularly with Mitchell, if he hires somebody—an attorney enjoining—, it could go on for a while. But the point is—Bob says you will have either seven minutes of John Chancellor and Weicker interpreting what was said in a secret session or do you want four minutes of that and maybe three minutes of Haldeman?

E. Well, that is a good point.

P. Is that something to be considered?

E. It sure is. At least we get a little piece of it that way.

P. You know—you see a man looking honest and earnest etc., denying it in a public forum—

E. Yeah, yeah.

P. Where he just—you know I just have a feeling—

E. There is something to be said for splitting the time with them.

P. Yes and—

E. Are you planning to work tomorrow?

P. Well I tell you—sure—what I plan to do—I have to go to church.

E. Sure.

P. And I have to be around on that in the morning and so I may not get there in the morning. Well, anyway you will be busy all morning.

E. That's right. I've got Kleindienst.

P. So I will be there in the afternoon around 2 o'clock or so if you want to chat with me, I will be around.

E. OK—I'll leave word.

P. We'll see. We'll see. Do your other business, etc. John, too, I wonder if we shouldn't reconsider, if you shouldn't, I mean you have to consider this—rather than having Colson go in there completely blind, give him at least a touch up—or do you think that is too dangerous.

E. Say that again—I didn't quite hear it.

P. Colson—rather than just saying nothing to him, if it isn't just as well as say—look you should know that Magruder is going to testify, etc., or is that dangerous according to Kliendienst?

E. I'm not so sure. I have to call him anyway tomorrow. He has an urgent call in for me. Ah, I don't think I want to say anything at all to him about John. John, incidentally, I understand, was on CBS News and just hardlined them.

P. Oh, I agree on John.

E. Yeah.

P. On Magruder, that is what I meant.

E. Well, I can say something very brief. I don't need to indicate that he said anything to me.

P. Yeah, that you understand that he has talked. I mean, not to the Grand Jury but to—

E. Yeah, I think I could safely go that far.

P. And say that he should know that before he goes, and be prepared.

E. Friday—I will call him in the morning.

P. Let me put it this way: I do think we owe it to Chuck to at least—

E. Sure.

P. So that he doesn't, I mean, go in there and well frankly on a perjury rap—

E. I understand. I don't think he is in any danger on that but——

P. Why wouldn't he be in any danger, because he's got his story and knows pretty well what he is going to say?

E. Yeah, I think he is pretty pat, but I will talk to him in the morning and give him a cautionary note anyway.

P. This urgent call may be just what we know, or it may be more of something on our friend—

E. Uh, huh.

P. What's that other guy—Hunt?

E. Yeah.

P. There isn't a damn thing you can do about that either.

E. No. I will tell you, I am going to probably see Kleindienst sometime tomorrow and for any reason you don't find me there, that's probably where I am.

P. And with him on the Special Prosecutor, say, look Dick, in view of the fact that the U.S. Attorney is now doing such a thorough job and since there is going to be definite results from it, it would be a terrible reflection on the system of justice.

E. Right.

P. And this Administration would be in effect admitting that the Justice Department was so corrupt that it couldn't prosecute.

E. Uh, huh.

P. But if they prosecute a former Attorney General John, what more can you ask?

E. Pretty loose, pretty independent.

P. I really feel that—

E. Yeah.

P. And that the Special Prosecutor thing can only open other avenues potentially. I don't mean that there is anything you want to cover up, but you know. He will just go through and—

E. I think it is folly.

P. Don't you think so?

E. Yes, sir.

P. Dick could just say that there is a difference of opinion, but that is it. That I have decided it, and that he—

E. He wants to talk to you about it, but I think I can take care of it tomorrow without any problem.

P. But if it is necessary for him to come in and for me to tell him that, I will tell him.

E. Well, I think I can handle it.

P. Now wait a minute. I am not adverse to it. My feeling frankly is this: that you know I was just thinking tonight as I was making up to my notes for this little talk, you know, what the hell, it is a little melodramatic, but it is totally true that what happens in this office in these next four years will probably determine whether there is a chance and it's never been done, that you could have some sort of an uneasy peace for the next 25 years.

E. Uh, huh.

P. And that's my—whatever legacy we have, hell, it isn't going to be in getting a cesspool for Winnetka, it is going to be there.

E. Yep, yep.

P. And I just feel that I have to be in a position to be clean and to be forthcoming, etc. That is why I think that on the—

E. I totally agree with that.

P. Committee, out, etc. etc.

E. I totally agree with that.

P. Re-think a little bit more about that Haldeman thing. My present thinking,—he raised it himself you know, this business—but I just think you've got to fight for somebody. I don't know. But what is your feeling at the moment?

E. I don't think he is in that bad shape. I may be kidding myself, but I—

P. The only thing that concerns me is what they said about Strachan, and

E. Yeah, well—

P. You don't think that relates that closely?

E. Let me talk with him tomorrow, and just see how much of that we have to swallow. He may object to some of that, and with good basis. So—

P. You've got to figure this too on Magruder. If I could suggest it, Magruder probably believes he is telling what he knows.

E. Yeah.

P. On the other hand, this happened a long time ago, and Magruder is a very facile liar.

E. Yes.

P. And he could well be thrashing around a bit here and drawing conclusions, etc. etc.

E. He believes his own story.

P. Yes, what do you think? Because some of this—

E. Well, I'll tell you. They told me that he was an extremely credible witness.

P. Oh, definitely.

E. And I can see why. He comes across very sincere, very earnest and very believable. But of course, now you have to balance a lot of what he says. What he says I have no way of corroborating or not corroborating.

P. You have to balance what he says by the fact that he was very believable when he lied.

E. Yeah. That is what I say.

P. Now the question is, how much of this is the truth and how much of it is something he believes to be the truth?

E. About the only thing I can say is that it sounded credible, but I can't vouch for it obviously. And that's one of the reasons I want to get Gordon in.

P. One last thing. How do you see the Mitchell scenario rolling out, John. Put yourself in his position and just sort of ruminate a bit, and tell how you see it rolling out.

E. Well, I would—

P. First, you are convinced he will be indicted, are you?

E. Yes.

P. You are?

E. I don't think there is one chance in fifty that he won't be.

P. Alright, now.

E. The court will open and publish them and he will probably arrange to come down and take delivery of the—

P. Indictment?

E. indictment, and I would guess he will hire F. Lee Bailey. That would be my hunch.

P. Not a bad idea.

E. He's got one problem in that the firm represents one of the other defendants, but he may be able to get around that.

P. Uh, huh.

E. Whoever he gets will immediately move for a change of venue and file 89 motions.

P. Right. Motions to quash—

E. Sure, sure and—motions to disqualify the judge, attacking the legality of the Grand Jury and everything you could imagine.

P. Won't that take a little time?

E. Yes, sir, you bet it will! My hunch is that the soonest you could get a case like that to trial would be the Fall. September or October—

P. Really?

E. Something of that kind.

P. That leaves the Committee hanging for a while, I suppose. I don't know whether that is good or not.

E. Well I don't think they would let the Committee proceed in the meantime.

P. You don't really?

E. They would use every effort to stop it, and I am just guessing, but just common sense tells me they could stop it. I don't know the law.

P. One long shot, should you talk to Ervin?

E. Should I?

P. Yes.

E. Confide in him?

P. (Characterization deleted)

E. Oh, I don't think so. I can't trust him.

P. (Characterization deleted)

E. No, I can't—I just wouldn't dare. Kleindienst might at some time later.

P. He should make the deal. I think, frankly, let's get off of the damn executive privilege.

E. Get a little ride on it huh—while we can?

P. Well at least I do think it would cool a little of the Congressional stuff, you know.

E. Uh, huh.

P. I really do. As I read the Congressional stuff, they say—they can't understand this or that or the other thing. Alright now we are—basically, also, its bold. The President just says there is enough of this nonsense? We are going to fight. You see what I mean?

E. Uh, huh, I get you. Ok, it suits me.

P. It puts the President in the position of being as forthcoming as we can—want the facts out.

E. Yep.

P. And that's that. And I am not concerned about the word backing off, etc. So, sure, we back off and that is the story for about two days.

E. Yeah.

P. Really.

E. I think that is great.

P. We have won lots of things with the Congress. We lose one. But you, in interpreting it, would say we have reached a compromise with the Committee, that we limited it to this, to charges of wrongdoing.

E. Uh, huh.

P. Right?

E. And they came along orally on the rules.

P. And the rules now provide adequate protection for executive privilege and so the President says, let them all go.

E. Yep. I think that's great.

P. But putting in the point that the President directed it and I think the idea that the President has stepped into this thing and has said, let's get this thing done.

E. Yep.

P. And you go out and say the President says, look we have had enough talk, enough—

(Material not related to Presidential actions deleted.)

P. But when you are in a battle, if you are going to fight a battle, you are going to fight it to the finish. And the thing about Bob, as I say, is this: I get back to a fundamental point. Is he guilty or is he not? In my view, he is not, you know.

E. Yep.

P. And if he isn't—even if it means that the whole country and the Congress and all the members of the Senate and House say resign, resign, the President says, No. I will not take a resignation from a man who is innocent. That is wrong. That is contrary to our system, and I am going to fight for him.

E. Uh, huh.

P. If evidence is brought out to the contrary, fine. Then we will take a look at it.

E. Well, that is another reason for putting his statement out, it seems to me. It is the standard that we are flying, so to speak. Sure, they will shoot at it but if they never hit it, why then there is no room for argument.

P. We can get that statement broadly circulated. What about, incidentally, now, about the drill of frankly telling our own leaders that and getting them maybe charged up a little on this?

E. Well, I have been doing a little thinking on that. I am not so sure until we wind out the whole judicial process here, that is the Grand Jury process, that we are really going to be in much a position to do that. I will give that some more thought, but—

P. You mean because something is going to come out of the Grand Jury?

E. Yeah—you have sort of a half-told tale.

P. Well, you can say, look, I am speaking just for the White House staff, and they are going to go up and testify. Now fellows, give them a chance. That is what I meant.

E. Uh, huh, I get you. Well, that at least—sure.

P. And give them a chance. Then you say, they have all given sworn statements on this thing, and we feel that we are due our day in court, etc, etc.

E. Here's a copy of Haldeman's statement—

P. That's right. Uh, huh.

E. Yeah. We could certainly do that without making reference to the other.

P. Including Agnew, etc.

E. And you could trace the history of our attempt to cooperate with Ervin. Tell them about that.

(Material not related to Presidential actions deleted.)

P. Fine. Well, John, you have had a hell of a week—two weeks. And of course poor Bob is going through the tortures of the damned.

E. Yeah. That family thing is rough.

P. I know the family thing. But apart from the family thing, you know, he is a guy that has given his life, hours and hours and hours you know, totally selfless and honest and decent. That is another thing! Damn it to hell, I am just about to say. Well you know you get the argument of some, anybody that has been charged against, you should fire them. I mean you can't do that. Or am I wrong?

E. No you are right.

P. Well, maybe I am not right. I am asking. They say, clean the boards. Well, is that our system?

E. Well that isn't a system. You know, that is a machine. That's—

P. That's right. I feel, honestly,—I mean, apart from the personal feeling we both have for Bob, don't you? But you know, I raised this myself. One way out is to say, well look as long as all these guys have been charged, out they go and they can fight this battle and they can return when they get cleared. It is not good, is it?

E. You know I don't think it is. I don't think that is anyway to run a railroad. I think——

P. I suppose that would probably be the deal of purists. What does Len think of that? Does he think that, or—

E. I don't know. I think you have to show—

P. Well, that is irrelevant—

E. some heart on the thing.

P. Well, the point is, whatever we say about Harry Truman, etc. while it hurt him a lot of people admired the old bastard for standing by people

E. Sure—

P. who were guilty as hell.

E. Yep.

P. and damn it I am that kind of person. I am not one who is going to say, look, while this guy is under attack, I drop him. Is there something to be said for that, or not?

E. I don't think, number one, I don't think you would gain anything by it. The problem doesn't go away.

P. No they will say, oh, that Nixon's top person, closest man to him, in the office four or five hours a day, and out he goes. Everything must be wrong!

E. Yep—that is it. That is liking separating Siamese twins.

P. We have done so many good things, you know, which Bob has worked on so arduously, and damn it, so there will be fragments here and there. Well, people make mistakes, but you don't fire a guy for a mistake do you?

E. No.

P. Not for a well-intentioned mistake. But my whole view of drawing up the line. One point, you are going to talk to Dean?

E. I am.

P. What are you going to say to him?

E. I am going to try to get him around a bit. It is going to be delicate.

P. Get him around in what way?

E. Well to get off this passing the buck business.

P. John, that's—

E. It is a little touchy and I don't know how far I can go.

P. John, that is not going to help you. Look he has to look down the road to one point that there is only one man who could restore him to the ability to practice law in case things go wrong. He's got to have that in the back of his mind.

E. Uh, huh.

P. He's got to know that will happen. You don't tell him, but you know and I know that with him and Mitchell there isn't going to be any damn question, because they got a bad rap.

(Material not related to Presidential actions deleted.)

P. You say that Dick was really shaken?

E. Yeah, he was.

P. Damn it, I told him once, I said, Dick, the real target here is Mitchell. He said, oh, no, it can't be! He's got sort of the idea that probably it is Haldeman or Colson.

E. Well I am sure he is going to call me the first thing in the morning.

P. Yeah, but with him I would be very tough. I would say Dick—just don't mess around—they are after Mitchell, and they are going to get him at the present time. At least, that's what our information indicates and so here is where we go.

E. He is probably doing a little checking with his U.S. Attorney tonight.

P. Would he do that?

E. Oh sure, sure. He has to make the ultimate prosecution decision, or else he has to delegate it to somebody, so he is entitled to——

P. Your point is that he would delegate it to Dean. I think the Dean is the best one to delegate it to, rather than, John, the suggestion that he resign and then we will put in another Attorney General. That would be a hell of an admission that, that we thought——

E. He isn't going to want to do that would be my guess. He isn't going to want to resign at this point.

P. He shouldn't. Well, you know, when I come to think about it, basically, he should for other reasons. If we could get the Ellsberg case over, I would just like to get that FBI fellow. Is there anyway at all—you are going *to talk to Ziegler*—that you can get get out the fact that you have conducted a thorough investigation?

E. We will work on that. I think there is.

P. I think we have to get that out. Don't you?

E. I think so.

P. The President is calling the signals.

E. I suspect that somebody is going to put it together. My hunch is the New York Times will. You see, they have the story that Colson was in yesterday.

P. They know that Mitchell was in.

E. And, of course, all the wires have that Mitchell was in today. So, somebody is going to start stringing all this together.

P. So what would happen? You'd have Ziegler or yourself go out and say yes I have seen them? Or you haven't thought that through yet?

E. I think I wouldn't have to say that I have seen them. We could just say that we have had a job of work going on for several weeks.

P. Well you could say that the President, because of the charges that have been made, wanted an independent investigation made and he directed you tc make it. You have made an independent investigation of the situation because the President wants it. If there is anybody who is guilty in this thing, he must through the judicial processes be brought to the bar. Is that what you would say?

E. Or simply to aid you in analyzing the steps that ought to be taken here. You are being asked to do a lot of extraordinary thing—

P. You could say the President wants this matter cleaned up, once for all.

E. Right.

P. It has been hanging around and yakked about. Innocent people have been hurt in the process. Charges have been going around. Now we have a judicial process, and we want this thing finished.

E. Beyond that, you have had all kinds of Senators and Congressmen calling for the appointment of a Special Commission and all that kind of thing.

P. So you're it.

E. For you to come to any sort of a judgment on those kinds of proposals, you have to have a pretty clear understanding of the facts.

P. Right. Well, with Dean I think you can talk to him in confidence about a thing like that, don't you? He isn't going to—

E. I am not sure—I just don't know how much to lean on that reed at the moment.

P. I see.

E. But I will sound it out.

P. Well you start with the proposition, Dean, the President thinks you have carried a tremendous load, and his affection and loyalty to you is just undiminished.

E. Alright.

P. And now, let's see where the hell we go.

E. Uh, huh.

P. We can't get the President involved in this. His people, that is one thing. We don't want to cover up, but there are ways. And then he's got to say, for example? You start with him certainly on the business of obstruction of justice.

E. That's right.

P. Look, John—we need a plan here. And so that LaRue, Mardian and others—I mean,

E. Well, I am not sure I can go that far with him.

P. No. He can make the plan up.

E. I will sound it out.

P. Right. Get a good night's sleep.

E. Thank you, Sir.

P. I'll bet you do. You know in a way it is a curious thing—not curious at all—but, John, while it is terribly painful, of course, to go to that dinner tonight—while it is painful, I just feel better about getting the damn thing done. Or do you agree?

E. Absolutely.

P. I mean, after all, it is my job and I don't want the Presidency tarnished, but also I am a law enforcement man.

E. Yeah.

P. Right.

E. Yeah, and you have to move on to more important things.

P. Yes, that's right. OK, boy, see you tomorrow.

E. Right, sir.

Appendix 21. Meeting: The President and Ehrlichman, Oval Office, April 15, 1973. (10:35–11:15 a.m.):

(Phone ring.)

P. Who all have you seen this morning?

E. Well, I have Strachan up there right now.

P. Yeah. I had a call from Kleindienst.

E. Yeah. I heard you did and I thought you ought to take it. He——

P. Oh sure, sure, I did. I didn't refuse. He said "I should see you, and I'd like to see you alone this afternoon. Today." I said fine. He's coming to the church service.

E. Yeah.

P. I'm going to see him in the EOB. He said he had been up most of the night with Titus. Who is Titus?

E. U.S. Attorney in the District.

P. And what's the other fellow's name?

E. Silbert.

P. No not Silbert.

E. Glanzer?

P. Petersen.

E. Oh Petersen.

P. See if he wants (unintelligible) together. So I would see what he has to say.

E. OK.

P. I assume it's the special prosecutor thing, among other things, but what else I don't know.

E. I don't know either. He obviously got Titus in to find out what the progress is in the Grand Jury; so he's now—he's now better posted than he had been I'm sure, and he's probably a little bitter with Titus for not keeping him better posted if in fact he wasn't.

P. With regard to (unintelligible) this special prosecutor thing, what line do you want to take?

E. Well—let's think about it. He wants a special prosecutor so that he . . .

P. He can stay on as Attorney General.

E. He can stay on and so that he doesn't have any—so that he personally doesn't taint the process by reason of his closeness to Mitchell. And that makes sense. Sneed does not have that problem, and Sneed is controllable within limits, and I think he is credible. I may be wrong about his credibility.

P. I agree with this, I think he's credible. The reason I think he's credible is something else—is that the Grand Jury I assume (unintelligible) come through with some indictments.) I mean, suppose they just indict Magruder and Mitchell (unintelligible).

E. Yeah.

P. Well, that's the fish.

E. Yeah.

P. The big fish.

E. Yeah.

P. Damn it, what more do they want? Now what's the problem with the special prosecutor? As I see it, it just puts another (unintelligible) loose (unintelligible) around there.

E. Well the special prosecutor . . .

P. Reflects on——

E. Will second-guess Silbert. I assume will feel his mandate is to . . .

P. Tear hell out of the place?

E. Yeah—yeah.

P. That's right.

E. And—that's just an additional risk which you wouldn't have with the Dean who's been a part of the process. I just—I don't think.

P. (Unintelligible) with him (unintelligible) myself (unintelligible). If not then, let's face it, he hasn't been very helpful throughout this thing.

E. That's right. (Unintelligible) he stood as far away from it as he could get.

P. And Mitchell let it get away from him. A little (unintelligible). Is that what he said to you?

E. Yeah. He expressed real bitterness.

P. You didn't get Colson yet?

E. Not yet. No. He's at church apparently. Ziegler will be here at church. He's coming over. So I'll see him while you're seeing Kleindienst.

P. I suppose Colson is (unintelligible) Hunt, and Bittman which, of course, could tie Colson in, right?

E. Yeah.

P. Up to his navel. There's not a damn thing you can do about that is there John?

E. No, really not, not at this point. You have to depend on Hunt's natural secrecy and secretiveness.

P. John, there is nothing in it for Hunt. Let me ask this, (unintelligible) go back over everything he's done prior to that time.

E. Well . . .

P. There might be something?

E. Well, he's up on, apparently, he has perjured himself a second time. Gee, he perjured himself at the trial, then he was granted immunity, came back into the Grand Jury, and perjured himself again. The U.S. Attorney is looking down his throat and could say to him look, I can forget some of these counts if you're a good boy now.

P. Yeah, but the point that I make is this—is really, of course, you know, its the limits of his testimony.

E. mmhuh-mmhuh.

P. If he testifies just on Watergate that's fine. He isn't going to get a damn thing more than anybody else.

E. I don't see any incentive for him to go broader, and I haven't heard a whiff of that.

P. (Unintelligible) give him immunity for that? I suppose, or would they?

E. I don't know. I don't think they can give him immunity at this point.

P. (Unintelligible) talked with Strachan?

E. Yes, sir, just about ten minutes ago. And I've been doing all the talking so far.

P. (Unintelligible) trying to talk (unintelligible).

E. What Magruder had said about him and so forth. So.

P. (Unintelligible) any (unintelligible) for removing him?

E. Not yet. Not yet.

P. He's a good man—good man.

E. I think he, I think he'll do fine. You see . . .

P. (Unintelligible) you expect anyone (unintelligible) I was cogitating last night, and we've got the people that can—I mean on the obstruction of justice thing, which I think is our main problem at this time—well of course it is the main problem because it involves the other people.

E. Yeah.

P. Otherwise it's just Chapin.

E. Yes, Chapin.

P. And Mitchell.

E. Yeap.

P. Magruder.

E. Yeah.

P. Possibly Dean, but . . .

E. Mardian and LaRue

P. (Unintelligible) on the (unintelligible) of the case?

E. LaRue.

P. They got him on that too?

E. Yeah. Yeah.

P. You mean Magruder has?

E. Yeah.

P. That's going to be hard. This fellow's lied twice to (unintelligible)?

E. That's right. That's true.

P. The people you've got with obstruction are Hunt and Goldblatt and Bittman, right?

E. Oh, Rothblatt the lawyer.

P. Rothblatt?

E. Yeah, right. Well, I don't think Bittman is going to testify. I would be very surprised if he did.

P. Why?

E. Well.

P. Get him involved in obstruction of justice?

E. Well I just don't think—I think, I'm just guessing here, my guess is that he's worked himself out a haven in all of this.

P. Wouldn't serve his interests to get involving in the obstruction of justice. He's basically almost a bag man, not a bag man, but a message carrier, isn't he?

E. No. No—was an instigator—. He was concerned about his fee. And a . . .

P. Oh really John?

E. Yeah. Yeah. So he was one of the active promoters of that as near as I can tell.

P. (Unintelligible) me what you and (unintelligible) say on the obstruction thing. What was involved? I mean, from our side, our guys.

E. Well you had defendants who were concerned about their families. That's understandable. You had lawyers who were concerned about their fees and that's less understandable.

P. Oh, yes. It's understandable.

E. Well I mean in terms of the end result. You had a campaign organization that was concerned about the success of its campaign . . .

P. Yes

E. and didn't want these fellows to say anything in public that would disrupt the campaign.

P. Is that legitimate to want people not to say it out in public which (unintelligible)?

E. I think so. I think so. And then you had a . . .

P. No, but I mean, say something in public that would disrupt the campaign or because it would embarrass people?

E. Sure.

P. Cover up, you mean?

E. It would impeach the campaign in effect. But at the same time a lot of those same people who had that legitimate motive—Hello (unintelligible) [Voice: Hello, sir. (door opens and closes)] they had the same people who had that legitimate motive had an illegitimate motive because they were involved in protecting their own culpability and here we're talking about LaRue, Magruder, Mitchell possibly.

P. (Unintelligible) they wanted the defendants to shut up in court?

E. Certainly, certainly.

P. So you would say, you could say . . .

E. You have.

P. In other words you have Dean we'll say, now let's take Dean.

E. All right.

P. As a case in point. This says something that Dean was not—we could get him out of it—he could weasel out. I say weasel out; he says he's not involved in the prying.

E. Well see Dean's problem is that he was in touch with these committee people who could to Dean express a benign motive and at the same time had a corrupt motive. If I were Dean, I would develop a defense that I was being manipulated by people who had a corrupt motive for ostensibly a benign motive. And in point of fact. . . .

P. Some did have benign motives.

E. That's right. You take a fellow like Shumway over there for instance. . . .

P. Yeah.

E. Who has to think the PR of the campaign.

P. Making statements. Well for example it's the—it's like in the very tangential, and it's only tangentially that it touches you and Bob. You know what I mean that somebody came to you.

E. Yeah.

P. I mean you said go talk to Kalmbach. If you were talking about keeping (unintelligible) if you know the defendants were guilty, and if you didn't know who else was (unintelligible)

E. That's correct.

P. And you just thought that they (unintelligible).

E. Well you know, the thing that ran through my mind . . .

P. Yeah.

E. Was Howard Hunt has written 40 books, and——

P. Yeah.

E. Howard Hunt was worried about the support of his family. And I could see Howard Hunt writing an inside expose of how he broke into the Democratic National Headquarters at the request of the Committee to Re-elect the President.

P. Yeah.

E. Now, if I had a choice between getting contributions for the support of Howard Hunt's family.

P. Yeah. And that's . . .

E. And that was pretty easy.

P. And I suppose they would say though that . . .

E. Oh, didn't care what Howard Hunt said to the Prosecutor. He can say anything he wanted to the prosecutor in a secret—in a secret session. That didn't hurt us.

P. It was all secret then.

E. The Grand Jury was secret.

P. The Grand Jury was all operating at that time.

E. Sure.

P. It hadn't come to trial?

E. Sure—it didn't come to trial until after the election.

P. Yeah. (Unintelligible)

E. So.

P. I think (unintelligible) it was—nobody was trying to keep him from telling the truth to the Grand Jury—to shut him up to the Grand Jury?

E. I can say in truth and candor that Dean never explained to me that there was any kind of a deal to get these guys to lie or to change their stories or to refuse to testify to the trial of the action or anything of that kind. That was just never discussed. So I don't feel too uncomfortable with this.

P. Another (unintelligible) if Kleindienst resigns.

E. If Kleindienst resigns, that says there is something wrong with the Justice Department.

P. So you would keep him?

E. At this point.

P. Even if he disqualifies himself?

E. That's right—which wouldn't be anything too new.

P. Sure.

E. Now he may have some . . .

P. Other information?

E. Yeah, or technical reason or something of that kind.

P. (Unintelligible) may have some information aside from the Grand Jury that I don't know if (unintelligible).

E. I have a call in for him and the operators left it over here. The reason that I do is that he never did pin down for me what it is that he wants me to do. Now I've tended to him as I think I had to.

P. Good.

E. And he said well I'll check it and be in touch with you tomorrow. So fine. I left word over there that I am here. That's the only, the only reason for my call. And you might ask him if there is anything we ought to do here in the light of developments, but I do feel that—thank you (coffee dishes clattering)—I do feel that there is nothing new in what I have beyond what Magruder has already told me, so I think it's largely academic.

P. (Unintelligible)

E. Yeah.

P. (Unintelligible)

E. Titus would have told him last night what Magruder said, and so he will, this morning, have I think as much knowledge about this thing as we have. There may be one or two—one or two details that—

P. But Magruder said they are hot after Colson.

E. Suspicion.

P. Or Magruder's attorneys say that. Magruder had nothing on Colson.

E. No. The one phone call is the only incident that he has to relate.

P. His attorney says I think they're hot in going after Colson.

E. Yeah.

P. The reason there of course is Hunt.

E. Right—the association.

P. Yeah.

E. And that's natural. You've got a guy in the cast that . . .

P. Well Hunt (unintelligible) Colson.

E. Yeah. Hunt has to know it.

P. What do you do about Colson, John?

E. I don't think there's much to do at this point. He's—

P. Yeah.

E. He's building his own defenses. I assume that he's doing whatever has to be done with Hunt—that only he could do.

P. So, but, but——

E. Well you know he's, I'm sure, has had surreptitious contact with Hunt.

P. Yeah. He says (unintelligible) take care of your kids.

E. And I think Chuck's natural proclivities will.

P. Do everything.

E. Do anything we can possible do.

P. See (unintelligible). There isn't a hell of a lot more they can tell us that Magruder hasn't told (unintelligible).

E. That's right.

P. In other words, there isn't a hell of a lot they can gain by . . . what was the, what could Liddy (unintelligible) to corroborate Magruder?

E. That's all he could do. At this point Magruder gives them everything they could have hoped to get from Liddy.

P. (Unintelligible)—How do you get Liddy's sentence cut down? (Unintelligible.)

E. It may be too late for him.

P. I wonder if it is. Huh? Or is it?

E. Yeah. He was only . . .

P. Why didn't he talk (unintelligible)?

E. I don't know. I really don't.

E. I don't understand him at all and Magruder paints him as really weird—really weird.

P. (Unintelligible) guy.

E. And all kinds of things. And there are all kinds of Liddy stories running around.

P. Well I (unintelligible) down. I want to see what Kleindienst told (unintelligible) and since he's asked I will.

E. I'll be here and if you want me for anything why just holler.

P. Well look, I'll listen to him. He has come in so often.

I can say on ITT, of course, we didn't—my basic responsibility (unintelligible) McClaren settled this case or something like that, and a

E. Yeah.

P. (Unintelligible)

E. No, that wasn't to settle a case.

P. No, not settle.

E. That was not to file an action. You remember they were about to file a law suit and

P. How did we know about it?

E. Flanigan found out about it.

P. You came and told me?

E. I came and told you about it.

P. Why?

E. (Unintelligible) may have forgotten details.

P. Why didn't we think they should file an action?

E. Well.

P. I am sure it was a good reason.

E. Yeah. We had a run.

P. (Unintelligible) we had a runaway antitrust division at that point.

P. Yeah, and I had been raising hell with McClaren.

E. That's right.

P. On all this, and I said now this is a violation of my policy—

E. Not on.

P. (Unintelligible) a violation of rules that I had laid down with McClaren.

E. And I will testify to my dying day that our approach to antitrust cases was (unintelligible) virtually without variation, on policy rather than the merits of the individual case.

P. Wasn't that case (unintelligible)?

E. There was one exception to that and that was that Granite City Steel case where we criticized their analysis—the Council of Economic Advisers did.

P. Yeah.

E. And we went back on them on the specific case rather than just the general policy. That was on a factual issue.

P. What the hell was it, John, that (unintelligible) Kleindienst. Here's this guy, you know, who is really good hearted and worked hard and all that sort of thing and went down to the wire and so forth. His advice has been just wrong.

E. I think he felt, and I have not talked to him about this, but I think he felt that if he involved himself in this case at all in Mitchell's behalf, that eventually it would have tainted the whole proceeding and maybe redounded to Mitchell's disadvantage—

P. Right.

E. And—

P. Oh I suppose that's (unintelligible).

E. And that Mitchell's best chance—

P. I'm not speaking in Mitchell's behalf but I am just thinking of—just so that we would be (unintelligible), or try to know how (unintelligible).

E. Well—yeah—that's true.

P. (Unintelligible.)

E. He.

P. All you were ever asked was the general question, what's going on.

E. Yeah. He—well, this is kind of interesting. I may have told you about this, but the U.S. Attorney now feels that Dean overreached them by providing information out of the Grand Jury to the Committee for the Re-election. I think that may be legitimate criticism if he in fact did that. On the other hand, for him to provide us with information inside, for the orderly operation of the government, is another matter. That's two quite different things. If you peddle information from a Grand Jury to the outside, or if you peddle it inside to people who are responsible.

P. (Unintelligible)

E. Oh that was, let me think.

P. (Unintelligible) Grand Jury at that point.

E. He had information on who was going to be called as witnesses so that apparently Mardian was able to get around and coach witnesses.

P. Did Mardian coach them?

E. In some cases Mardian, I guess, was very heavy-handed about it, and—

P. Well, is there anything wrong with that?

E. Yeah, well there's something wrong with—

P. He was not their attorneys is the problem?

E. Well, no, the problem—the problem is he asked them to say things that weren't true.

P. Oh.

E. When I say coach I use the word loosely, and—

P. (Unintelligible)

E. Well no, a fellow over there named Porter—Bart Porter for one.

P. Where is he now, in jail?

E. No, he's in business somewhere, and he will probably be indicted.

P. They coached him to what, did he say?

E. Say.

P. Was he—he was one of the buggers over there?

E. No—no. Oh no, he worked for the Committee, worked for the Committee, but they asked him about higher-ups and about whether there was any (unintelligible) and so on and so forth.

P. How was he in the deal? How would he know about it?

E. He worked over there in Magruder's office, and he apparently passed money to Liddy from Sloan and was privy to quite a lot of the information.

P. I thought John (unintelligible) Liddy to take money for that (unintelligible).

E. Apparently he did. Well I don't mean after—I mean to pay for equipment and to.

P. Oh (unintelligible)

E. That's right.

P. Why the hell didn't the Grand Jury indict him?

E. Well because they didnt have the, they didn't have the evidence. There was a cover story which Mardian and others cooked up, and Porter, who corroborated the cover story, is now indictable for perjury. He is a little fish who got caught in the net.

P. Poor son of a bitch. It's wrong. It's wrong.

E. The whole thing is just monumentally tragic.

P. It is. Now don't let it get you down.

E. Well that's right, that's right, and it'll pass.

P. Dean is concerned, and concerns me.

E. Yeah.

P. I don't think he could have been that active in the pre—the post yes—the pre things. Magruder, Magruder may be (unintelligible) a little (unintelligible) in some of that stuff.

E. Well, I've got to get him in, and I hope to see him today.

P. He would not (unintelligible) Dean (unintelligible). According to Dean's story about those meetings which he told me is about (unintelligible) Magruder's.

E. That's right. That's right.

P. He says, he says look we shouldn't be talking about such things.

E. I know.

P. particularly in the office of Attorney General. Magruder says he approved the million dollars—that's about right.

E. And that Mitchell was the one who disapproved it.

P. Well this would (unintelligible) Magruder/Dean (unintelligible)?

E. Cause Dean shows up very prominently in the whole Magruder thing.

P. And Dean was in Florida you said on some occasion? Remember the Florida trip you told me about?

E. No, No. The three people there—Mitchell was already down there—Magruder and LaRue went down.

P. For what purpose?

E. Brought him the final Liddy proposal.

P. The two fifty?

E. With the Watergate and the Fontainebleau and the McGovern headquarters spelled out.

P. How did Dean find out? Dean find out that there was a three—three thing on a list? He knew that, and went up and told Mitchell about that.

E. Yeah, and I.

P. How did Dean know that?

E. I don't know. I don't know how he knew that. I assume that at some point in time Magruder told him that.

P. I see. Magruder talks pretty much doesn't he?

E. Mmhum.

P. (Unintelligible)

E. Yeah. And in a lot of these things, of course, he had a lot of different versions of everything, but I think it's reasonable to assume that he passed that along to Dean.

P. Sure.

E. Mitchell phoned me this morning to say that Daniel Schorr had been on the shuttle when he rode back to New York.

P. CBS caught him?

E. Yeah, and well no, they saw him here.

P. Yeah.

E. And then they sent somebody out to the airport.

P. (Unintelligible)

E. And so, he said to Schorr he didn't know anything about the Watergate, and he didn't think anybody cared about the Watergate and he had just been down to the White House and he hadn't seen the President. That was all that he said. He is looking forward to testifying before the Ervin Committee, and so forth. So he called me this morning just to say that.

P. (Unintelligible)

E. He wanted us to know what he had actually said in case there was any press report to the contrary.

P. Well Ziegler should simply say, yes he was here to see you (unintelligible) it's true (unintelligible).

E. Don't have any comment on that.

P. No comment—that's (unintelligible) What do you think?

E. I think that's the only way to handle it.

P. (Unintelligible) handle it (unintelligible). I have no information on the subject. I have no information on the subject.

E. Right.

P. Ziegler (unintelligible)

E. I'm glad you complimented him last night. That's

P. (Unintelligible) stay right at the (unintelligible)

E. (Unintelligible)

P. He is a good man. They know it. They know it. You've got to give them their stories. They respect him for it.

E. I thought you were going to do with the Biblical conclusion that the guy who serves two masters, but a

P. Yeah.

E. he will hate the one and love the other, but a— (laughter).

P. Yeah. (unintelligible)

E. Yeah, that's the one.

P. (Unintelligible) turn around and (unintelligible).

E. We are at kind of an ebb tide right now in this whole thing, in terms of the media, as I see it. They are all a little afraid to get too far out on a limb on this 'cause they think something's going on with the committee negotiations, and there's no new news breaking, and so they are kind of.

P. Waiting.

E. waiting.

P. Yeah—they'll get a full tide when they get to the Grand Jury.

E. Well sure, but now is a good time for us to fill that vacuum.

P. Oh, yes—a little news.

E. Yeah.

P. Sure—let 'em know other things are going on.

E. Yeah.

P. I read (unintelligible) front page the Haynes Johnson (unintelligible) story today about—story on (unintelligible).

E. I haven't had a chance to read that. I saw the headlines.

P. It's not corroborated of course, but they said their survey of the country and all showed that the President's support that first the support regarding the war was not (unintelligible)—the economy is the problem (unintelligible) but the overriding issues that are (unintelligible) Watergate. (unintelligible), but John that is just not true.

E. Yeah.

P. Of course Gallup comes up tomorrow and show—he'll show that (unintelligible) another poll out there (unintelligible). Look you can't go the the (unintelligible) you can't go to the—you've been around here.

E. That's right—that's right.

P. It's a pervasive issue (unintelligible) Go in and out of the hotel they've—

E. Yeah.

P. Yelling. Watergate, Watergate. Tell us about Watergate. Seriously, it's a hell of a Washington story.

E. And Haynes Johnson, of course, is notorious for finding what's he's looking for.

P. Of course.

E. You remember after the election and that great national survey.

P. Yeah. Yes, and also that he (unintellegible) practically killed him to do it; first, (unintelligible) in this same piece that these people were not (unintelligible).

E. Mmhum.

P. Now—(unintelligible). But then, but it's we have to—we go through these cycles too, I mean this is a little more—more—shall we say a bigger cycle than most because of the enormous—a combination of Watergate it usually is a one issue thing.

E. Yeah.

P. Now it's a combination of the Watergate plus the—these guys say it's the Watergate—(unintelligible).

(Materials not related to presidential actions deleted.)

Appendix 22. Meeting: The President and Kleindienst, EOB Office, April 15, 1973. (1:12 2:22 p.m.):

P. Well.

K. How you feeling?

P. Fine—fine—a little tired—I've been working very hard as you can imagine with everything.

K. Last night after the White House Correspondents' Dinner, at midnight, Henry Petersen called me, quite agitated—after which he and Earl Silbert, who is the Chief Assistant U.S. Attorney who tried the Watergate matter and Harold Titus came over. Titus is the United States Attorney.

P. Like some coffee. Would you like coffee?

K. No, thank you sir.

P. Coca-Cola?

K. Nothing, thank you. I'd like a glass of water if I may.

P. Glass of water—and some coffee—Chief.

K. The purpose of it was to give me the benefit of what had transpired on Thursday, Friday and Saturday with Magruder, and then what had been transpiring for a week with John Dean and his attorneys.

P. They didn't negotiate with Dean I understand.

K. John has some attorneys—I don't recognize the names.

P. Attorneys?

K. Yes.

P. Good, good he's got one.

K. The posture that Dean and his attorney, that they're exploring the legal situation with the understanding if they don't work out some kind of a strong arrangement then anything that is said or represented by either John or the attorney will not be used.

P. Hhmm.

K. Kind of an exploratory situation.

P. Yeah.

K. I wanted to see you and why I wanted to see you immediately, by myself, is that.

P. No problems then—in seeing me by myself. If you want, I mean.

K. Yes, Sir.

P. I guess with Cabinet people and the rest they always can. I have other people in, Dick, as you know, so that nobody keeps the damned notes out of the Cabinet. My understanding is—

K. I talked to John Ehrlichman last night. Also.

P. Yeah—he told me that you wanted to come in, and I said "fine."

K. When I talked to him last week I didn't think there would be much necessity to be here today, Sunday.

P. This is Sunday, certainly.

K. Magruder's conversations and John's conversations with attorneys, with every absolute certainty that Magruder's going to be put on before the Grand Jury.

P. Are they going to call him back?

K. Yeah.

P. Oh, of course, because he's going to plead guilty.

K. He's going to plead guilty and he's going to tell everything he knows.

P. Sure.

K. That kind of information is not going to remain confidential.

P. As you know, the—we have no—I have not and I would not try to get information from the Grand Jury, except from you.

K. Right.

P. And we have not. But the reason—the reason that I am aware about the Dean thing—I have taken Dean off the matter, of course. I had to. As far as what he was reporting here at the present time. I put Ehrlichman on. Ehrlichman's conducted his own investigation which I told him to give you. He says it's now not going to mean much because he says Magruder frankly corroborates everything that he thought (unintelligible)

K. Yeah.

P. Except that Magruder may—you can't tell, in his view, that you can believe everything Magruder says because Magruder's apparently got a——

K. Got a self-interest involved.

P. He's got his self-interest and you don't know whether he's going to drag this fellow or that fellow or whatever the hell is. You know that's the trouble when a guy starts lying and, you know—I mean—wondering whether Magruder is telling the whole truth on John Mitchell—you know, Mitchell—have you talked to Mitchell?

K. No and I'm not going to. I don't think that I can talk to him.

P. I think you should know, Mitchell insists—I didn't talk to him. You know, I have never asked him. Have you ever asked him?

K. No sir. We have never discussed the matter.

P. I never have either. I asked Bill Rogers about that. I said, Bill, should I ask him? No, John Mitchell. And so I asked Ehrlichman. I said, now I want you to ask him.

K. Yeah.

P. What I was going to say—the only information that we have is the Magruder information and the Dean information and that's enough.

K. Yeah—that's what we have here. The difficulty as outlined by.

P. The special prosecutors?

K. No. No. The difficulty with respect to some of the information as outlined. I stayed up until five o'clock this morning with these people going over and over it again.

P. Right.

K. (Unintelligible) basic things where Dean implies—(unintelligible). The basic problem that—its possible that Dean might testify to, what Magruder will testify to, and then you've got Strachan or somebody like that. He was on Haldeman's staff. There is a possible suggestion that Haldeman and Ehrlichman ah, as yet—it looks that way—whether there is legal proof of it so far as that—that they.

P. Indicating what?

K. Well, knowledge in this respect, or knowledge or conduct either before or after the event. But that in any event, whether there's——

P. Both Haldeman and Ehrlichman?

K. Yes. Whether it's sufficient to bring about an indictment as a result of the course the testimony implies. There will be statements made, circumstantial evidence depicted.

P. Right.

K. That could raise a very serious questtion with respect to both of them. That is my primary reason for talking to you (unintelligible).

P. Sure—sure.

K. I thought you ought to know.

P. Who told you this? Silbert?

K. Yeah.

P. So he says he gets his information from whom? Dean?

K. Dean with respect to some statements that Ehrlichman is supposed to have made after the event. There's no suggestion that John Ehrlichman knew anything about it before.

P. Yeah.

K. As to Bob, this fellow Stracken (pronunciation). It that his name?

P. Strachan.

K. Strachan?

P. He worked for him. He's a guy who worked for Haldeman, down in the basement.

K. Well, we haven't really gone all the way with him yet. He's kind of fishing around, you know, as to what he's going to say and what's he's not—he's being a little bit suggestive, but there will be the probability that Strachan might provide testimony that would——

P. Implicate Haldeman?

K. Would implicate Haldeman and it wouldn't be direct, precise testimony.

P. I have asked both Haldeman and Ehrlichman.

K. I know you have.

P. And they have given me absolute—you know what I mean. You can only—it's like—you would, you'd believe John Mitchell, I suppose, wouldn't you? I don't believe Haldeman or Ehrlichman could ever—you know—(unintelligible) hurt to be so close to people and yet I think of—

K. John Mitchell and I were a little off more by ourself. (unintelligible) But the difficulty with respect to Bob and right now they do not think that they are going to have the kind of legal evidence that would lead to indictment. However, they all feel that as a result of the closed testimony—a matter which is going to come out. It will be circumstantial, an association, an involvement, and it's going to be—

P. Why don't you do something about it?

K. Well, I think that that's part of the problem. The evidence with respect to those now who would have knowledge of this before June 17th, 'cause it's going to come out. You take some of the evidence with respect to Dean.

P. Dean was in the meetings. Dean claims that he said no. And Mitchell does too. And that's what you've got to live with.

K. But then they feel the serious aspect of the conduct thereafter came in the, according to this testimony, that, with respect to obstruction of justice

P. Right.

K. —and that is the admission that LaRue, Mardian, Dean say that he was rehearsed and rehearsed and coached and coached by LaRue, Mardian, Mitchell, Dean, all for his initial testimony before the Grand Jury. Well, Magruder could testify that he believed that—there's two things—the obstruction of justice and suborning a witness or perjury.

P. That could get them all on that.

K. And if LaRue, Mardian, Dean, Mitchell said no we didn't do that but were told what the story was—we did nothing.

P. They would question that.

K. Anyway, that's certain to be known to the prosecutor

P. That's right.

K. With respect to the money that was available and used for attorneys supporting these defendants.

P. Mm, huh. The motive I think you passed on to Ehrlichman—after I raised the question. A motive was involved there huh?

K. About the money?

P. Yeah.

K. You know.

P. If the money was raised.

K. If you plead guilty and he's guilty there's no crime committed.

P. What's that?

K. That's. —I don't know.

P. Explain that legal point please.

K. Well, I inquired into it personally.

P. Of course I was thinking of the Berrigans and all the funds that have been raised through the years, Scottsboro, etc. Nobody ever raised any question about it. If you raise money for the defense and it's for support—and Ellsberg—(expletive removed) in Ellsberg, the defense—

K. And likewise in this case. If I had committed a crime and you know about it and you say, "Kleindienst, you go in the Court and plead guilty to the commission of that crime and here is ten thousand dollars, you know, to tide you over and so forth."

P. That isn't a crime?

K. No. On the other hand, if you know that I committed a crime.

P. Right.

K. And you say, "you go in there and plead guilty, and here is twenty-five thousand dollars on the condition that thereafter you'll say nothing. You just make the plea, take the Fifth Amendment, the judge cites you for contempt, you've got to continue to testify you don't. You do not take it." Then you are now in a position of obstructing justice.

P. Excuse me. If you'd explain that again. If you tell 'em—if you tell 'em—if you raise the money for the purpose of telling them *not* to talk.

K. After he's pleaded guilty. Let's take the—

P. Well, they were all before the Grand Jury at this point, Right?

K. And the judge says, "I'm going to give you immunity—I have ordered you to testify to what you know." He refuses, takes the Fifth Amendment and he's punished for contempt. And you give him twenty-five thousand dollars. (unintelligible)

P. There was some thought that—that was all after the election that that happened, huh?

K. I don't know but that happened after the conviction—after Liddy's conviction.

P. Oh, in other words, the obstruction they are talking about is what happened after the conviction?

K. Yes sir.

P. Rather than before the conviction?

K. Yes sir.

P. Well, who the hell would—you mean—but I can't see Haldeman or Ehrlichman or anybody in that (unintelligible)

K. Well.

P. No—I'm just asking. Or Dean, ah, you mean that after that that they raised—they gave money for that purpose?

K. For whatever they gave—let's say that money was given to Liddy in connection with —and.

P. Let me say this—there isn't any question that money that they have had on that or whatever—Mitchell's defense frankly—it would be—you know—these people had worked for the Committee and they were provided with money for their legal fees and for their support. That is—this is before their conviction. Now comes the point of after their conviction. That's when the case may be, that's when you get the jeopardy.

K. Or if people are up for trial, Mr. President, you say.

P. NO—no-no-I'm sorry—not conviction—but after their indictment.

K. Yes. After the indictment "here's fifty thousand dollars. You plead guilty and thereafter take the Fifth Amendment. If they offer you immunity, you know, not testify about anything." If that's——

P. And then you give 'em money?

K. Yes.

P. That's—I agree.

K. Yes—obstruction of justice.

P. Yeah. If the purpose of it is to get them not to talk. In other words, not to carry out what the judge said. I can see that. Sure.

K. What the situation really is, and that's why I wanted to communicate with you immediately, today, to keep this general story off the streets.

P. Oh, hell—don't they know about it?

K. Tomorrow morning it's likely to be all over town. Tuesday noon.

P. Involving Haldeman and Ehrlichman, too?

K. Yeah—just generally. This Sirica, Judge Sirica, is not enforcing the strict requirements of law with respect to secrecy in Grand Jury proceedings.

P. Certainly the one with regard to Mitchell—do they, let me ask you this—do they tell you flatly Mitchell will be indicted?

K. Yes. They do—so will Dean.

P. Will be indicted?

K. Yeah.

P. Even without his testimony—they're talking about it?

K. Magruder's testimony will be enough to indict him.

P. Strachan—will he be indicted?

K. They don't know yet. Incidentally, Dwight Chapin testified with respect to the so-called Segretti affair.

P. Yeah.

K. And said that Haldeman knew about it.

P. That's true. But that's not something they're in—because of Segretti—even though Segretti pleaded the Fifth. It's just bull—the Segretti thing—it's not this—it's just.

K. That has nowhere near the potential of this situation. They only think it does with respect to Bob, it casts a little bit of taint.

P. I know.

K. That reflects upon the rest of it.

P. Now what is your, what is your recommendation, then?

K. Well, first I have this situation. It seems to me that so long as I do anything at the Department of Justice I cannot hereafter be with Haldeman, Ehrlichman, Mitchell, LaRue. They won't believe that we didn't talk about the Watergate case.

P. Who can you have contacts with? Me? I shouldn't be

K. I think it is—I don't know whether I need contact anyone. Incidentally, there's a—there's a weak possible case on Colson.

P. What is that?

K. He knew about and was involved in a conversation pertaining to money for Liddy's projects. Called on Colson to make over there—to somebody else.

P. Yeah, I heard about that.

K. You know, "Where the devil are Liddy's projects?" So.—

P. Colson denies this doesn't he?

K. Yes. He also did the unusual thing of hiring himself a lie detector test.

P. Oh (expletive removed)

K. Isn't that a terrifying thing I've ever heard?

P. Of course, I'm a great supporter of Colson's. He's been a brick as have all these people. But (expletive removed) that was a stupid thing.

K. Just stupid. Crazy. Secondly—

P. They consider there's a weak case on him at this point.

K. Yes—and a very, very peripheral, weak case—probably not an indictable case with respect to Ehrlichman and Haldeman.

P. Yeah.

K. Just learned that.

P. O.K. Your point is that it'll break—that their names have been mentioned?

K. You know—it'll come out in trial and testimony.

P. What's your recommendation on it?

K. Well.

P. Let me tell you what concerns me, if I may. I want to talk to the special prosecution a little bit. You know, it's embarrassing and all the rest, but it'll pass. We've got to—we've got to just ride it through Dick.

K. Yes

P. Do the best we can. Right?

K. Yes sir.

P. We don't run to the hills on this and so forth. The main thing is to handle it right.

K. Those are my inclinations Mr. President.

P. Well you know—we've got to handle it right.

K. That's right.

P. And naturally because of your association with John Mitchell you would have to disqualify yourself.

K. Mardian, LaRue.

P. Oh—you know them all. Right-right-right. Now the difficulty with the special prosecutor—it gets a guy into the (expletive removed) thing. First it's a reflection—it's sort of an admitting mea culpa for our whole system of justice. I don't want to do that. I think what you ought to do—agreed —the Dean doesn't know probably anything about criminal law.

K. He doesn't know anything about this case either.

P. About this case—but I think that the Dean—the Dean is a decent, honorable man and you step aside, say that the Deputy Attorney General of the United States will be in charge of this matter. And you say to him and (unintelligible).

K. Don't understand—I think he ought to (unintelligible)

P. No question about Silbert and those guys going after it. And I—let me tell you. I have never—you know—I have never felt that—I have always told these people around here—I say (expletive removed) don't hold anything back. Just burns me that they did.

K. Last summer the conduct of everybody over here Mr. President—really created great suspicions in the minds of Silbert and Petersen, you know.

P. Right.

K. Instead of being open and frank with you, trying to create an impression of trying to help out, getting things going.

P. This was basically the Dean problem. He was running it.

K. And also I think—well everybody was scared to death. They didn't know where the damn thing was going to end.

P. They thought there was an election—you know—let's face it—that's why—why John.

K. Why sure—I understand—I understand. It'll always be an unanswered question and for that matter they were simply set in motion thereafter you know so aggravating—you know, this little.

P. But after the election, I couldn't think what in the name of (expletive removed) reason did they play around then? Do you?

K. No.

P. You didn't know that they were doing this? I didn't know.

K. No sir—I didn't know.

P. I didn't—you know—as I was—one of the problems here—I have always run my campaigns. I didn't run this one I must say. I was pretty busy. Or—maybe—handling the Russian Summit. And you know, after the election—we were right in the middle of the December eighth bombing—and holding meetings—within the whole Administration. But I just can't imagine—at that point—after the election is when this is supposed to have happened.

K. I think there are two paramount.—

P. Understand—I mean the others—they were involved throughout. But I mean after the election. (Expletive removed) to condone it.

K. It seems to me there's two overriding considerations here. One is yourself and your Presidency and secondly is the institution. Both of which I think have to be protected and preserved by the institution of justice. For me to recuse myself and say the Deputy is now making all the prosecution statements. The thing I have against that Mr. President is that that Deputy is still your appointee. He's my deputy.

P. Yeah.

K. I could be removed until this is cleared up—well that's just an attempt you know to cover his (expletive removed). As this thing goes into trial and when this testimony comes out somebody is going to come to a crescendo real fast.

P. Of course.

K. Then Sneed is going to be under attack. Frankly I don't know enough about Joe Sneed—to know whether he's got the ability to sit there and take it or will he do it. A little bit differently than I and less than partisan for twenty years. He has no particular attitude to you, me or anybody else. He's a good lawyer, a decent man—probably got his future ahead of him but whether he thinks of himself—and I just don't know enough about him.

P. Yeah.

K. At the present time. For one thing whether he's got the ability.

P. Yeah.

K. In a tough situation to sit it out or whether he could.

P. Yeah—but you got anybody else?

K. Well that's why—and then on the other hand, with respect to the special prosecutor, Mr. President. I think when you come down.

P. I'm not going to appoint him. Who would make it? You would make it?

K. I would. This would be my special prosecutor.

P. Got anybody in mind?

K. The Chief Justice, Roger Goff (?) and several other lawyers. And incidentally the Chief Justice and I are very close friends. And I want to get his feeling about the concept of it and also who he would recommend. The one person that everybody kind of comes together on is a guy by the name of Barnabus Sears in Chicago. He is the attorney that was appointed to prosecute the killing of those blacks by the police—you know the thing in Chicago? And prosecuted in Chicago police officers who allegedly, you know, (unintelligible). Barney Sears is a past president of the House of Delegates of the American Bar Association, a "distinguished" lawyer and, you know, has all those—and credentials. He's a very, he's a very independent person. It has one aspect of it that you people realize, but Sears and I have been close freinds for twenty-two years. (Unintelligible) labor case with Motorola back in the early days. Barney Sears came in at one point and another guy.

P. So what would you do? He'd come in and learn the whole case?

K. Yeah—what he would really do—he'd keep Silbert, Titus and Petersen in place and as they progress with the case instead of having the ultimate prosecutor responsibility in me he'd do that in this function in that way.

P. What does that do to Mitchell?

K. I would say Mitchell will be indicted.

P. Oh, they're all going to be indicted. Well, that's my point. I thought, I think if the course just goes like it is they're going to be indicted. You mean you'd have a special prosecutor immediately? Here's my point, if they're going to indict anyway that sort of—that shows that (expletive removed) the thing does work. See that's the thing I wonder. These guys are crowding in—

P. Silbert and the rest—they aren't taking any program—we're not giving them any. You're not giving them any are you?

K. No.

P. Another way you can do it—another way you can do this. I could call in—I'm just thinking out loud. I could call in Titus and Silbert I'd say, look—you are totally independent here and you are to tear this case up. Now go to it. See my point is, you call in a special prosecutor (expletive removed), he's got to learn the whole damn thing.

K. You come down to.

P. Yeah.

K. Little fundamental questions—like do you have enough evidence to go on perjury indictment? When you got one against one, you know, through the ordinary rules of prosecuting policy suggest that you try people for perjury.

P. Right.

K. Even maybe with—and I think that's just because of the climate.

P. Well let me ask you this. Let me think about it Dick.

K. Oh sure.

P. You would suggest Sears. I would say Dean—I mean not Dean but the Dean.

K. Let's both think about it.

P. But with the idea that I really feel that I ought to—that frankly I've got to take the leadership on the thing and I ought to go in and say, look—there's—got the facts and you are to go forward with this—and I don't care who it touches and that's it.

K. Well with respect to the Presidency and I don't presume to advise you with respect to that Mr. President.

P. No—I want to know your input.

K. But I think that you probably would want my views. You understand I have been up all night long and I might not be as (unintelligible). It seems to me that if, as a result of Magruder, Dean (unintelligible) and Hunt.

P. In belief?

K. (unintelligible)

P. This would be direct. Is there enough evidence on Haldeman that I should, that I should say to him, "look Bob you take a leave of absence until this thing is cleared up"?

K. Right now—no—might be any day—that's the question. I think that your options become reduced each day that this thing goes on.

P. What I am getting at is this. Is it also possible that they don't get enough on Haldeman to indict?

K. Well, he could be indicted but then at least his circumstantial participation will presume now with regard—

P. What about—what about Ehrlichman?

K. That's a close one—a situation that would occur after they were arrested based upon the possible projected testimony of Dean in the case.

P. How would—I don't see how he would be in it—in what way?

K. Well, at least now.

P. What will Dean say about Ehrlichman?

K. Keep in mind anything that Dean and his attorneys have told them is a conditional statement. If they don't work something out it's all withdrawn and it's not going to be used. Keep that in mind, Mr. President. But Dean intimated two things with respect to Ehrlichman. One, Dean had in his possession some documents that were taken out of Hunt's office—that's number one.

P. He's told the U.S. Attorney this?

K. Yes. Other item he issued a directive that—to get Hunt out of the country. Instances, standing by themselves—nothing more to say one side or the other can constitute an obstruction of justice. They have the hard evidence right now that would lead to the indictment of John on those two counts. But it couldn't be tomorrow, two days from now away.

P. With respect to Bob—Strachan. Did they tell you—

K. They

P. I thought on that?

K. Yes sir. In fact, I've got some notes here—

P. No—Ehrlichman?

K. He's hooked.

P. Dean?

K. Deep six it and get Hunt out of the country.

P. He said Ehrlichman, John (unintelligible).

K. (unintelligible) before the indictments.

P. Dean's testified that Ehrlichman told him to do that.

K. Right.

P. What Dean—Dean has told 'em, but he hasn't testified?

K. Right—and that other point about Dean's posture with the United States Attorney—that's why I wanted to talk to you about this. That these are conditional statements. If Dean worked out an arrangement satisfactory to Dean the U.S. Attorney's office and Dean agree that they are not going to have knowledge of these statements.

P. So what would happen?

K. Well, in the event they don't work something out then Dean presumably wouldn't testify this way with respect to Ehrlichman or he might, depending upon what (unintelligible). If they work something out, probably it would be for the purpose of—no, no sir. There's going to be no immunity offered.

P. Well, then why would he get it? Work something out—why?

K. Well that's—that hasn't been resolved because Dean and his lawyers are being very, very careful there.

P. I'm sure.

K. (unintelligible) you get these people facing jail and you (unintelligible). The point is that.

P. Haldeman?

K. Haldeman—they believe this fellow Strachan is just about ready to (unintelligible)—on the face of it.

P. Some of this—got some of the take in other words. Haldeman had—if Haldeman was furnished the reports.

K. Either the reports or papers that would indicate that Liddy was doing something like this.

P. Oh—papers?

K. Apparently there was the sum of three hundred fifty thousand dollars.

P. Yeah—I know about that.

K. Transferred from the White House to LaRue.

P. Right.

K. That Bob indeed indicated that the transfer of that money. (unintelligible)

P. I think (unintelligible).

K. Might have just thought that (unintelligible). That would implicate

P. That I would think would mean that that he had some of it—the reports from the bugging.

K. Either the reports or budgetary or—

P. Oh—even budgetary?

K. Or program papers that on the face of it would indicate that Liddy was engaged in an eavesdropping operation and, you know, that Haldeman would have known about it? So he called and said something about it but that's yet another thing you've got to keep in mind.

P. I don't (unintelligible).

K. I don't think so either.

P. Huh?

K. I don't think he did either.

P. Haldeman could tell me though—he's a—I'm sure—Bob would tell me—he's a "don't give a (expletive removed) kind of a guy" anyway and Ehrlichman would tell me too. The deep six thing troubles me. Although—what was that? Oh, I know what that could be—that could be—you see Hunt's operations before—that's what that is. Hunt worked in the White House, you know, on some national security matters and I think that's what that's involved. Not the Watergate.

K. Let's get back to this concept of the Presidency, sir.

P. Right

K. What you do is the right thing to do and then when having done it then it would be recognized as the right thing.

P. Right.

K. And I know—I don't know—but I believe—feel that we should have—I think the options that you have to consider there are two. One do you, the President, what I have told you today, that might be forthcoming. And before that comes out would you ask 'em to step aside until this whole thing blows over? If it all blows over—maybe you're not indicted or culpable. Finally you come back and they do wind up having been indicted, you at least have off of your personal staff—those people who are going to be involved in the criminal justice system. If you don't take that step, and I—really don't pretend to advise you on it sir—and then if it comes out, it's leaked out and then you've got to do it after the disclosure is made publicly, you know, I think it.

P. Let me ask you this—if it should come to a critical point—let us suppose—let's suppose the worst. That it does—that it does come out on Haldeman and Strachan with his testimony that he had papers etc. The question really is basically whether an individual, you know, can be totally, totally—I mean, the point is, if a guy isn't guilty, you shouldn't let him go.

K. That's right—you shouldn't.

P. It's like me—wait now—let's stand up for people if there—even though they are under attack.

K. I know.

P. In Haldeman's case though—I want to ask you—if you think—I just want to ask you your opinion. And the same on Ehrlichman based on this—do you think that—where he had no knowledge of Watergate.

K. I think neither one of them knew about it before. Just judging from leads around here and found himself in this fantastic situation. Could have as a result of his constant communication with John Dean—with John Dean looking for a way to save himself—could have by the remarks that John made that would either circumstantially involve him in or be grounds for an indictment.

P. Increase the chances of their being indicted by letting them go? That's another (unintelligible). When I say let them go, give them a leave which—

K. That'd be all right—it's all right.

P. You find—you find them guilty before they have a chance to prove their innocence, don't you? And another way you could do it is this—you could say if that question is raised, you could move them instantly. You see the point is that—you are suggesting I should do this based on information we have now.

K. Which is not very good, precise.

P. That's the point I am making—can on the basis of this kind of information.

K. I don't suggest anything now—I'm just—

P. No—no—I know—No—I'm just trying—understand—want to know what is the right thing to do and understand we are going to come out of this thing. The Justice Department and the Presidency are going to come out clean because I don't tolerate this kind of stuff. But the point is, Dick, I also. I can't—I can't let an innocent man down. That's my point.

K. I know that. What effect does it have on the discharge of let's say Bob's and Ehrlichman's duties as they'd be the object of speculation and attack in the press. What effect does it have upon their being able to discharge their duties?

P. Well one thing, of course, Bob could put it out first.

K. The three fifty?

P. Right. (unintelligible) testimony and the Strachan work and so forth and so on. In other words, he puts out the story. That's another—one thing—and he puts out the Segretti story too. I really think that's what he has to do.

K. Have him appear before the Grand Jury?

P. Will he be asked?

K. No—except a punitive defense might ask him.

P. (Unintelligible) here—you don't understand (unintelligible).

K. The prosecutor doesn't subpoena a punitive defendant—his attorney doesn't—you know this stuff is going on—now does your guy want to come in and testify.

P. You see, I realize that the fellows like up at the Ervin Committee and now the Grand Jury they're going to smash the likes of Haldeman all the time but you can't let a guy go—without a (unintelligible) if he's guilty, if you know he's innocent.

K. Right. Let me say what I had to do with this Harry Stewart. Remember the United States Attorney in San Diego?

P. Yeah.

K. Was involved in my confirmation hearings. An allegation was made with respect to his obstructive conduct. It started as an administrative investigation by the FBI. While the investigation was going on, Harry Stewart just stepped aside as the United States Attorney. Then ultimately he went back. That whole judgment was a process on my part.

P. Right.

K. I sharply examined it and the hindsight of this stuff is fantastic.

P. What's the name of your man in Chicago?

K. Barnabus Sears.

P. I can sure get that down, but I'm going to get that U.S. Attorney in one way or another.

K. And I've thought for months that something was wrong.

P. Sorry to hear you say that. No—that's my problem—what to do. Poor (expletive removed)—they're all—they've got a right to a fair trial.

K. I've tried about two or three thousand in the last twenty years and I did (unintelligible). The two aspects of this that have an overriding importance beyond them is the institution of (unintelligible) and also the criminal justice system.

P. Right. Only the people have got to have confidence (unintelligible) and frankly you could come out stronger.

K. Yeah.

P. You just prove that you will take on even your friends.

K. That's right.

P. That's what we'll (unintelligible). The only thing that troubles me about the Haldeman/Ehrlichman, Dick is that—I don't—I just wonder about—about—moving on them before.

K. The evidence (unintelligible)

P. See what I mean?

K. Sure, I understand.

P. That indicates that maybe I know something—which I don't.

K. That's right—nor do I—nor do—all that the government knows is what I have given you. I think, based upon what little is now known would be impeded in either. I don't think that John Ehrlichman should have as an assignment for you anything further to do with this, though.

P. Because of the deep six thing?

K. You know, if it turned out, either through circumstantial testimony or other testimony which could lead to a possible indictment that's part of the circumference.

P. Got to have somebody over here to do—the (expletive removed) thing—what the (expletive removed) do you do?

K. What do you do?

P. Garment? He's Mitchell's former law partner. That won't do, will it?

K. You know the burden of the (unintelligible) so far as you are concerned is that you and I would defend him. Anyone else (unintelligible).

P. Oh, I understand. Not going to—don't—job to do it—and this is (unintelligible) Chief Investigator for the Senate Committee—the (expletive removed) was charged with a felony, bargaining pleaded for a misdemeanor—got a suspended sentence.

K. Yeah.

P. For bugging!

K. Yeah—for bugging.

P. Same thing—that's what should have happened here.

K. As a matter of fact, looking at it again, without trying to determine the impact of it with respect to the election, simple (unintelligible) the obstruction of justice.

P. The obstruction of justice is what's bad.

K. And the perjury—the suborning of witnesses, the perjury and perjuring yourself.

P. You don't have Ehrlichman involved in that—you don't have Haldeman involved in any of that?

K. No—no. When you get Mitchell and Magruder and Mardian and, let's say, Dean all having one approach to this problem, and Magruder over there you're going to have a hard time convicting John Mitchell, Bob Haldeman, LaRue, etc. One of the faults these

lawyers find is that, you know, because they, if this is true, they will be a (expletive removed) difficult thing to prove.

P. There's a chance Mitchell could beat this?

K. Oh, sure.

P. You do?

K. Oh (expletive removed) yes. It all depends on how this other comes out but, Mr. President, if all you're talking about.

P. Suppose Liddy, suppose Liddy—what's he going to do?

K. Now that's somthing else—now if Liddy comes in and corroborates Magruder and incidentally they are bitter enemies. They are bitter enemies.

K. Magruder is afraid for his life.

P. Yeah?

K. Even tried to—

P. Liddy—you say Liddy has told all, has he?

K. No he hasn't—he hasn't said a word to anybody.

P. Is that right? Did these guys tell you that?

K. Yes sir. He's taken the fifth.

P. They said that he's come in and talked to them. They—that's what they're telling everybody.

K. That's not true, sir.

P. I mean—if Magruder says that—he hasn't?

K. To my knowledge—I'll check that.

P. Find out.

K. Find out but to my knowledge as a result of everything that was said last night Liddy has not said a word.

P. What about Hunt?

K. Hunt doesn't know anything.

P. He knows about the obstruction of justice—somebody gave him the money. Isn't that the one where Mrs. Hunt or somebody—I don't know what that is—I don't know.

K. You know as much about it as I do.

P. (unintelligible) say something (unintelligible) and I don't want to get so deeply involved.

K. Neither do I and you know from the outset, Mr. President, on this one, because of all of us who are involved—our relationship—I determined that I was going to have the broadest kind of an overview. It's just for this very reason I don't want to right now.

P. Yeah.

K. If Liddy doesn't corroborate Magruder—what Liddy does now in view of Magruder's case I don't know but inherent in Magruder's—

P. He and Dean are taking Liddy and Magruder. You've got two guys it's pretty hard for a jury, if you were a good criminal—an F. Lee Bailey—say, are you going to take the word of these two men against all these other men, gentlemen?

K. When you have something besides F. Lee Bailey, but you take LaRue and Mitchell—

P. Let me say—let me say—I only mention F. Lee Bailey because Mitchell is very close to him now, as you know.

K. I know that, yeah.

P. That's probably who he'll use.

K. I don't know.

P. I say probably—I'm just guessing—I haven't talked to him about it, but he and Bailey are—he's going to fight until the end. He's not going to—

K. I hope he does.

P. Would you—his relationship and former Attorney General.

K. And that would be—that would be a trial for him.

P. Sure. Pitch John Dean take (unintelligible). I was so surprised.

K. When Ehrlichman called me last night all he said, mentioned Magruder. And he said what about informing him if I had any notice that John Dean had initiated this. I really don't until his attorney can negotiate with them.

P. If Dean does not testify about deep sixing documents and getting Hunt out of the country they have nobody else that can say that.

K. What they want initially.

P. Yeah—will they work out.

K. I think they'll honor their agreement between them.

P. Well, as you know, Dean put it out for press.

K. No—no sir.

P. They're decent men.

K. Yes they are.

P. Good.

K. Yes sir.

P. But Dean.

K. They raised questions whether or not I should even mention that to you because of the (unintelligible)

P. No, (expletive removed) you should tell me.

K. Oh (expletive removed) I didn't argue with them about that. That's not anything. I'm going to tell you what I have learned.

P. I could call them. Let me run this by you. I think I should call them and I consider it highest devotion. What I want you to have (unintelligible) it up here. I think we have—we haven't denied anybody, (expletive removed). Conducted the investigation. The FBI's conducted the investigation. I said I just want you to know that and you're on your own—on your own. And I am—because Dick Kleindienst was a close associate of John Mitchell's I want you to report to Dean Sneed. Now that's the way that I think I should approach it Dick rather than bringing in a special prosecutor.

K. I have no objection to that.

P. Well, without you being there—I don't think they should work through you anymore due to the fact, although we know you didn't have a (expletive removed) thing to do with it—nobody would ever believe—I don't think that.

K. I could make a fair decision on Mitchell.

P. On John Mitchell. Just like I wouldn't think I could probably make a fair one on Haldeman, but you see—don't you think that's true?

K. Yes sir.

P. And I'll—and the way I would do it—I will say, the Attorney General and I have talked and he recommends this. And I'll say, we have talked about it and this is the best way to do it. So we'll put Sneed.

K. And I think it's a very strong possibility.

P. You see my point?

K. The only—there's only two aspects of it that I'm not sure about. One of those I'm not sure about is Joe Sneed.

P. I know.

K. He's—you know.

P. Well, let's—what the hell—there's really nothing for him to do except just be honest. They're going to do the job. I know they're going to do the job.

K. Second thing, Mr. President, was the other argument that I'm thinking about. The more believable, more acceptable business, this other thing. The problem of this thing as the result of any appointment of you.

P. Yeah.

K. In favor that you might be able to provide later or whether I could. The credibility aspect of this thing on part of yourself soon.

P. Yeah—think it's best to handle it rather than doing it—escalating it—by nine o'clock then it should be done. I have thought about it and I have made—I have said this and that and the other thing and that's that.

K. One aspect of this thing which you can always take and that is, as the President of the United States, your job is to enforce the law.

K. In the case of any, of any investigations and trials—you know, I mean—now that the time has come as a result of blah, blah, blah, you know.

P. Special prosecutor immediately casts a doubt frankly, Dick, on the whole Justice Department.

K. Yeah—right.

P. I don't like that.

K. Neither do I.

P. But you have—there's not need—you understand, I just don't like that.

K. My feeling.

P. I think—you see the other line would be to say—put sort of a (unintelligible) you couldn't do this? You mean the Attorney General has asked—huh?

K. You might wait to have me recuse in this thing when the indictments come up. I think if they indict John Mitchell we can't be criticized for favoritism, you know.

P. Yeah—in other words, you stay in the job.

K. Until the trial. I don't know, I think this is something we ought to explore very carefully. In terms of (unintelligile).

P. You see, there's where your special prosecutor comes in. You want the—you go to the special prosecutor for.

K. No, the special prosecutor would not try the case, Mr. President. What he would do is substitute himself for the Attorney General. Silbert would try the case. What he would do would have overview with respect to what they were doing and participating in the prosecuting decisions that are made from time to time. (unintelligible) believe I (unintelligible) discuss with the—with (unintelligible) might not have it with the Deputy Attorney General and—so I support him. You know, I would do it myself.

P. (unintelligible)

K. And I fully realize by bringing this guy in it's—the effect has a bad reflection upon me, you know, I understand that—that is my recommendation.

P. Yeah. I thought we would—I think we just ought to—after your hard lining the executive privilege I think we ought to make a deal with the Ervin Committee provided the ground rules are proper. Do you agree?

K. Oh sure. Thing about my hard line is, you know,

P. What you're saying is a bargain—the thing by which you are going to work that out. I thought we ought to get something out on that like Monday or Tuesday. That sound good to you? That's a good—a good way to be on the offensive.

K. And I, I understand, Mr. President, you have some thought in mind with respect to John Dean. I would respectfully urge you not to accept—include John Dean in the package with (unintelligible) and those people you are.

P. (unintelligible)

K. Yes.

P. Oh yes, (expletive removed) yes, it's better now.

K. Negotiate with the United States Attorney—I'll tell you—I don't think.

P. No—no. I'm putting him up. The only thing I would say is that—to him—I would say that as President's Counsel (unintelligible) executive (unintelligible) and all that—(expletive removed) I wouldn't even (unintelligible). The Ervin Committee though is going to be as—nothing by the time this thing.

K. Oh by this time (unintelligible) we keep it in the criminal justice system where it belongs.

P. Where it belongs.

K. The Ervin Committee.

P. And incidentally they ought to—whoever is—Silbert ought to get over there right now and tell the Ervin Committee not to go shouldn't he?

K. I don't know.

P. I (unintelligible). How—how can Mitchell, for example, get a fair trial with the Ervin Committee leaking all over the place and so forth and so on. I would—if I were the prosecuting attorney I'd say to the committee, now keep McCord and all these (expletive removed). Don't you agree?

K. Sure—if they'll do it.

P. I really think as a lawyer—as a criminal—as a—you know, a smart lawyer for Mitchell and the other defendants could move to quash.

K. Well they could get the cases dismissed as a result of this horsing around with the Ervin Committee.

P. Yeah.

K. (unintelligible) Ervin Committee going after—their Constituional rights might be so impaired that they could have the indictments quashed. That's what. Any litigation concerning John Mitchell will probably take ten years—you know a couple of years before trial, four or five years appeals, motions, trial. Well I think (unintelligible) and it could be with John Mitchell.

P. (expletive removed) I would want to appeal the Chicago Seven, the Berrigans, and the Elisbergs and all those (expletive removed). And they've fooled around all this time. Well it's a hard thing, Dick, hard thing. These fellows, even the Cubans—or even perhaps they most of all. They were doing (unintelligible) they were helping the campaign.

K. That's right. Sure.

P. And they just—just showed incredibly bad judgment—right?

K. It's still a fact, Mr. President, it's been two or three months, you know, while you were getting your campaign organization going, and Mitchell was just a puppet. You know John was in a rather awkward situation being the Attorney General, having talked to those guys.

P. And having very troublesome (unintelligible)

K. Right. Had his own real leadership over there and got (unintelligible) the situation.

P. Yeah, Magruder—and Magruder's sort of a lightweight in a very heavy job.

K. Yeah—and also he had not experience in politics.

P. That's right. And then so they decided that—gee, this is great and this is real fun—(expletive removed)—they see.

K. Yeah.

P. And incidentally you got to—you see—if Haldeman had been running it it wouldn't have happened either. But look what the (expletive removed) he was doing, we were on our way to China and then we were on our way to Russia.

K. I know.

P. We weren't in the campaign—they were. We couldn't and that's why we had no control. Well, anyway, I'm not making excuses. The thing to do now is to.

K. Deal with the facts as you have them.

P. Go forward.

K. It would have to be by you, Mr. President.

P. There's (unintelligible). How about another man that we could bring down? How about a former Circuit Court Judge like Lombard?

K. Well the Chief Justice doesn't like that unless he has completely retired from the judiciary.

P. Says he can serve if we gave him an interim appointment?

K. Yes—yeah.

P. Seventy-one years of age?

K. No-no. What you are doing is having a Federal judiciary.

P. Well it seems to me that's the same.

K. The Chief Justice thinks this fellow Sears—he's the one who recommended Sears.

P. Thinks we should have a special prosecutor?

K. Yes. He does. Yes.

P. Now what does he say—now—I want to get some other judgments because I—I'm open on this. I lean against it and I think it's too much of a reflection on our system of justice and everything else.

K. Yeah—that's.

P. What is Petersen's reasoning?

K. Petersen's reasoning would be that I should recuse myself now that it looks like Mitchell and—

P. Yeah.

K. rest of the boys.

P. Yeah—you should do it right now.

K. And that—yeah—but.

P. You—now wait—you'd do this? You see, you do it now it's based on testimony.

K. When I would do it.

P. Well let me ask you though, you would do it before the story broke? Before the indictments or afterwards?

K. I don't know. We haven't gotten to that point.

P. Or is it the point that should be done before the indictments are drawn up so that the indictments are drawn up properly. Is that the point?

K. Yeah—just so that any aspect of the investigation, presentation to the Grand Jury and indictments could not possibly be changed by.

P. So what would Petersen say—you would withdraw?

K. Yeah—but that would not be in a public, you know, TV statement—

P. Yeah.

K. Internal—administrative.

P. And then—what would happen?

K. Well, I would.

P. What would he advocate?

K. I would do one of two things under that circumstance—would be to delegate the responsibility for the entire matter to Petersen, Assistant Attorney General of the Criminal Division.

P. Petersen is the fellow to approach?

K. Yes he is—yes he is.

P. Would the—would the country respect him on this?

K. Yes—he's a (expletive removed) of a guy (unintelligible).

P. I didn't—he was—he is a career man—I didn't appoint him in the first place.

K. He's the first career Assistant Attorney General I think in the history of the Department.

P. O. K.

K. So—but he.

P. Let's consider that one for a moment.

K. It could either be Petersen—or—Sneed.

P. Petersen would be better than Sneed.

K. (unintelligible). That would be initially handled by an administrative document from me to Petersen.

P. But you do it right now? What you should do in any event, what you should do right now—let me say, I still think my—I ought to consider—my suggestion that I call these people in—maybe with you as a matter of fact and say look I just want you to work with Petersen and get everything done. Correct? But let me—let's think about that.

K. Let's think about that. I think we got to do something pretty quickly before this stuff gets out of hand. In view of the disclosure made to me last night and yesterday afternoon by Ehrlichman I think I've got to do something. I'm now on notice that Magruder, you know.

P. Yeah.

K. Testified to—that.

P. That's right—that's why I told Ehrlichman to tell you. I didn't (unintelligible). In fact he suggested it—he said, look, I've got this stuff. This was even before Magruder talked to him. I think I should turn this over to Kleindienst. I said "do it." And then the events caught up with us and Magruder came in, and said, look, I—almost irrelevant. I don't think Magruder (unintelligible). So that's why, Dick, why we've been scrupulous and your record must show that. Been scrupulous, that Ehrlichman, he called you, he called you before Magruder and afterwards. We didn't wait 'til Magruder—

K. That's right.

P. What I should do

(No more sound—tape runs out.)

Appendix 23. Telephone conversation: The President and Haldeman, April 15, 1973. (3:27-3:44 pm)

Opr. Yes, sir.

P. Mr. Haldeman, please.

Opr. Thank you.

Ppr. —Mr Haldeman.

P. Hello, I hope you are enjoying this lovely day.

H. No, I am afraid not. Got to get out and take a look at it. It really looks beautiful outside.

P. Are you working on your statement?

H. Yeah—and I talked to Bill and—haven't been able to reach—

P. Yeah. I got that message from Bill.

H. Did you talk to him?

P. John Ehrlichman's got it. He talked to you or to Bill, I don't know which.

H. Rogers—I gave John a very quick rundown, but Bill wanted to think about it and talk some more and I think he has gone out to play golf or something. He doesn't seem to be around now, so he will call me later this afternoon. His view—he said it really depends on what the Grand Jury does. In other words, he doesn't come on strongly that we should go up there. He has some real reservations about whether we should. I think you got a real problem in the judicial proceeding with possibly prominent people under indictment and all that, and run a Congressional investigation at the same time. And the problem we have had up to now is the feeling that nothing is being done. This whole feeling is going to change, and if something is being done you don't have to start doing everything and he said if we can work out some safeguards that Congress would live up to, via capitulation and all that maybe we should consider going because people do want things cleared up. He said, I really, I think the Committee is handling themselves poorly. I think if the Grand Jury is going to come out fairly soon with their indictments, I would strongly vote the other way. I would hang tight for an offer to go up and speak to the Committee in Executive Session, but I wouldn't go up on camera. He said, I think your court room rules is basically a sound position and that people will see that.

P. Uh, huh. I just told Ehrlichman to the contrary, but I can change my mind. Ehrlichman had talked to Moore—and Moore says, "Well, hell, everything is really—there is going to be so much flying around it isn't going to make any difference." Moore tends to—well,—

H. I don't think that is necessarily true either.

P. Moore—I think is—

H. If that is true then, why go up on television?

P. It just makes it worse doesn't it? Well his point, I guess, Moore's point is at least have the President be forthcoming. But what does that do? Let the President be forthcoming and let them kill us.

H. That's right. And Roger's view is if you—at least his preliminary view and he wanted to think about it a while—he said if indictments come down at high levels.

P. Yes——

H. Then you have been forthcoming. You have said all along that you would cooperate with the Grand Jury. Now if you cooperated with them, which you said you were doing, and nobody said you weren't, and they produce results, that is what the people are after. The people's concern is that nothing—that everybody is just sitting here doing nothing about the Watergate, which is what they think because they haven't seen any result out of the Grand Jury.

P. Well, we are going to have some.

H. He also made the point, I said—well we may be able to get a victory here without having to pay the price, in the sense that if we agree to go up and the Grand Jury comes

down with indictments they will probably turn off the hearings for a time anyway. Then we would have the trials and that sort of stuff. So we would have appeared to be forthcoming but we wouldn't maybe have to go. And he said I don't agree with that because——

P. Bill sa.d what?

H. Bill said I don't agree with that—but he said—he thinks it is inevitable that they have to stop the hearings if there are indictments at a high level.

P. He's right. I agree with that.

H. He says they can't go on with those hearings while those people are pending trial. Until they have been tried and sentenced—you cannot go ahead with the hearings. On that basis, you don't want to know how long that is going to take.

P. Kleindienst just stopped in. He said it will take four or five years.

H. Why in the world does he think that?

P. The trials, appeals, they'll go to the Supreme Court, you know Mitchell is in a fight and these other guys, what the hell?

H. On that basis, you have the judicial process running who are these people. Bill feels strong on this.

P. What about the other things they want to get into?

H. If they can separate them, that's fine. They are the ones who have said they are totally tied together.

P. Yeah, one thing too about the other things. They are going to be denied some of their principal witnesses. I mean Mitchell will not testify. He will never go up there, you know, before the Committee.

H. Right.

P. And Magruder. He won't go up.

H. Nope. Now you are getting the White House people going up and not the other people. Where are you on that? And that is a question. Bill said, don't make a commitment now, you may have to meet in October or something when this thing runs itself out.

P. But he did think we could make the Executive Session commitment?

H. Yes.

P. Puts us in a good forthcoming position.

H. That's his point, that that is a very sound offer, just as your offer to work with the Grand Jury was a sound offer that produced results. You say we will be perfectly willing to work with the Senate.

P. You indicated to Bill there would be indictments at a high level?

H. I said it looks as if they are going to be bringing indictments and that they are higher ups over at the Committee.

P. What did he say?

H. He didn't react at all, but a little later he said, "Well, if Mitchell is indicted, or something, you know." I didn't say that, but he did.

P. OK.

H. And—

P. You know, in a way—I mean in reading the Johnson/Witcover piece in the Washington Post, we are so low now we can't go any lower. Huh?

H. Yeah.

P. What did you think of that? Are they right? Not when they say today there is the over-riding concern today for Watergate. There will be when it comes out, obstruction and all that but—

H. Yeah. You can get that out by, you know, getting hold of a guy and say if President Nixon did the Watergate would you still vote for him and say No.

P. I wonder if they will use the Gallup Poll tomorrow if the damn thing comes out?

H. Well, I haven't seen the Gallup release. I don't know that it went out, but I often don't get it until after it comes out.

P. We did have a hard figure on it didn't we?

H. He said it was a hard figure. 60–33.

P. Anyway, we are glad to have that.

H. So, what does Kleindienst think now? Does he—

P. He's for a Prosecutor.

H. So is Bill.

P. Bill is? Who did he have in mind?

H. He didn't have anyone in mind and I didn't get into that question with him.

P. I have really come to that conclusion, too, Bob.

H. Oh, really?

P. For a reason. This is not to prosecute the case. A special Prosecutor, to look at the indictments to see that the indictments run to everybody they need to run to, so that it isn't just the President's men, you see.

H. In other words, he is above Silbert rather than replacing Silbert?

P. Oh no, Silbert runs the case and that's all. But he is just in there for the purpose of examining all this to see that the indictments cover everybody.

H. Uh, huh. Well that does protect you a lot, because if they don't indict some of us then you have a cover up problem. If you have that guy, then you have a basis—

P. Then he goes out and says, "I have examined all of this, and now let's stop all this. These men are not guilty and these men are not indictable and these are."

H. Yeah.

P. We are thinking about that. We haven't decided that yet. But I lean toward it now in order to just—we've got to get into the proper position there.

H. That would make sense, rather than having Sneed take over.

P. Yep, because he's compromised too—I can do things for him in the future, see? I can for anybody, but—

H. Yeah, but he is your appointee which is a little different. Although any Special Prosecutor is your appointee.

P. Yeah. It is a little different if he is outside. This Wright from Texas is the guy I sort of lean to. You know, the Dean of the Texas Law School.

H. Well, I don't know. Did Dick have any reading on timing on indictments?

P. No.

H. Because that is—

P. He thinks a lot of the stuff may leak with Magruder running around, and—Strachan told an interesting thing to Ehrlichman on Magruder which makes the point that I am—two weeks ago Magruder talked to Strachan, and tried to get Strachan to concoct with him the story that he, Strachan, did walk across the street with Magruder and tell Magruder to go forward with the operation.

H. Which Strachan claims isn't true apparently.

P. No. My point is, don't you see, the devastating thing this is to Magruder, to his credibility?

H. Yeah.

P. I said to John, "Why the hell is he trying to do this?" Because Magruder's defense is that he just doing it because of pressure from higher ups. You see the point?

H. Yep.

P. And Magruder—so I am not so sure that a hell of a lot of Magruder's staff, even on Mitchell, may be open to serious question. Serious question.

H. Ok. But yeah, on some things I think that is true.

P. Some things, I think Mitchell is still in it.

H. But I don't see how you—

P. But I mean, anything Magruder says about you, for example, if he does, you know what I mean. I think, Bob, your analysis of Magruder once that he is a guy that doesn't know the truth, is really true.

H. I really believe that—

P. And I think now he has lied so much is he going to lie again and work with his attorneys and get himself separated from all this thing, etc. I think Strachan will be a damn believable witness when he goes down there. I really feel he will be.

H. He will if he stays to the truth.

P. If he just tells the truth.

H. If he doesn't try to tangle things up at all.

P. Right. Hmm—Magruder was telling Strachan, "Look this should be the story that I would like to tell—"

H. It is kind of ridiculous. Why would Strachan agree to that?

P. Oh, he—it would implicate Strachan, but he is at the same level, too, see, so it wouldn't hurt him. The point of that would be simply—and he said Magruder told him about his family and his concerns and all that, made a great plea about how his personal problems were so serious. And he said, "Please, now, let's go along on this story."

H. Yeah.

P. That is interesting.

H. Well Magruder was bouncing around in desperation, telling all different kinds of stories to different people.

P. That's right. Remember you told me that—

H. Trying to tie something together and I think what happened is he ran that string out and finally just gave up because that wouldn't work and decided to tell the truth, but in the process he probably doesn't know what the truth is. He has made up so many different stories. I can understand that. It is hard for me to remember what's true, having just heard all of these other people's stories. It is difficult to sort the stuff out. If you start lying yourself—

P. Bill may have a point there. I have sort of had this, and I don't think Ehrlichman and particularly Moore didn't agree with it, that—look, if they get a hell of a big fish, that is going to take a lot of the fire out of this thing on the cover up and all that sort. If they get the President's former law partner and Attorney General, you know. Do you agree or not? Am I—

H. Yeah. What I feel is people want something to be done to explain what to them is now a phony looking thing. This will explain it.

P. Explain that they did it, and then of course the cover up comes in and they did that too.

H. And it all makes sense, it is logical, believable, because it's true.

P. Right.

H. And there i is—I can't—it seems to me that there is at least a strong possibility, if not probability or certainly, that public reaction is going to be. Well, thank God that is settled; now let's get away from it. Rather than the reaction of, "Ho, ho, ho, here is something pretty bad; let's spend a lot more time looking into it."

P. That's right. Well—

H. I think people want solutions; they don't want ongoing problems.

P. You know some of that so-called people-polling, and polling. Don't they say that Watergate, didn't you say that Gallup or, well, that it's a concern, it worries them, etc.—considered it a caper, and they want the damn thing explained.

H. That's right. They want it explained and they want to get off of it. There isn't—

P. Kleindienst also comes in with the idea that sometime I've got to go out and make a Checker's Speech at 9:00 o'clock at night. I told him, "Now, Dick, I am not going to do that."

H. Oh, I think that would be crazy. I sure do.

P. I said, "Now, Dick, I am not going to—I am not going to elevate it that way. If its going to be elevated, let the press elevate it. I will go out and say it before the press, in the press room, you know."

H. Yeah. Unless there is—there is nothing now that indicates doing that.

P But when (it comes out), I am going to have to say its rough, but that shows that our judicial system is—we, you know The Special Prosecutor thing helps in another way. It gets one person between me and the whole thing. You see, the Dean report now has been totally discredited and, you see.

H. Yep. That's right, and I think that is a darn good route for it, especially if it can be done I hadn't thought about it, or understood it at the level you are now talking about, and that would seem to me exactly what you are after.

P. Not somebody to presecute Mitchell. I won't have that.

H. That is the other problem. What do you say when they indict Mitchell, and Mitchell doesn't plead guilty? You obviously can't say, I'm sorry,

P. Oh well, we will just say that I will not comment on the case. I'm—let's have the men work up a statement.

H. I won't comment and I have full confidence in the American judicial process.

P. In the process and I—

H. hope it will bring the guilty parties to account and clear the innocent parties

P. He has pled innocent and I think he should have every opportunity to—(I don't know whether I can say I am confident in his innocence)—that will be the key question.

H. That is just what I was going to say. You cannot—

P. It is not proper for me to comment on that because there has been an indictment. It is not proper for me to comment, except that he is a fine man, he is entitled to it. I think we should not judge this case until it has been heard in the judicial process.

H. You don't want to get into the position that Hiss' character witnesses got in.

P. I can't do it. I know.

H. What you can do is express your faith in the system. You know there is a lot to be gained from this if the damn system comes out right.

P. That's right.

H. In restoring people's faith in the system, rather than in this jackass kangaroo court.

P. Yeah. Ok. Incidentally, I wondered if you would talk to John Ehrlichman. I will get him but when you talk to him—

H. I will be talking to him.

P. Be sure to tell him that I think that the way I hear Bill's thing spelled out, that I think it makes a hell of a lot of sense. Ok?

H. Yes, Sir.

P. Alright.

H. Alright.

Appendix 24. Telephone conversation: The President and Kleindienst, April 15, 1973. (3:48–3:49 p.m.)

Oper. Yes, please.

P. Attorney General Kleindienst, please.

Oper. Yes.

P. Hello.

K. Mr. President?

P. Hi, Dick.

K. May I bring Henry Peterson with me?

P. Yeah. I want to ask him to do something.

K. I'll be over there in a couple of minutes. Alright sir.

Appendix 25. Telephone conversation: Higby and Haldeman, April 15, 1973.

P. For Mr. Haldeman?

Opr. Yes.

Opr. Mr. Haldeman, Mr. Higby wants you.

LH. Hello, Bob.

H. Yeah.

LH. John Dean just called me. He had a message he wanted to relay to the President through you. He would not speak directly to you.

H. Alright.

LH. (1) I hope you understand my actions are motivated totally out of loyalty to you, the President.

H. Wait a minute.

LH. totally out of loyalty to you and the President.

H. Yep.

LH. And if it's not clear now—

H. Uh, huh.

LH. it will become clear.

H. Wait a minute.

LH. (2) Ehrlichman requested to meet tonight—

H. Yeah.

LH. but I feel inappropriate at this time.

H. Just a minute. Ok.

LH. I am ready and willing to meet with you, meaning the President, at any time to discuss these matters.

H. Just a minute.

LH. (3) I think you, meaning the President, should take your counsel from Henry Peterson who I assure you does not want the Presidency hurt.

H. Hmph.

LH. That was the end of his message. He was calling you from his home, the operator said.

H. From his home?

LH. That's what the operator said.

H. How long ago was that? Just now?

LH. Yes, sir.

H. Ok. Thank you very much.

LH. Yes sir.

Appendix 26. Telephone conversation: The President and Petersen, April 15, 1973. (8:14—8:18 p.m.)

Opr. Yes sir.

P. The Assistant Attorney General, Mr. Petersen, please—he is probably at home.

Opr. Yes sir.

P. Hello.

HP. Mr. President.

P. Did you get on your boat?

HP. No, no, no—I just came on home.

P. Oh you did. Right. Anything further you want to report tonight before our meeting tomorrow at 12:30?

HP. Not anything that specially, that I didn't give you today.

P. Nothing that adds to what we had earlier, huh?

HP. That's right—they concluded the meeting with Dean. His counsel says he will not permit him to plead; that a—

P. Permit him to plead? What do you mean by that?

HP. To plead guilty. In other words, he will go to trial.

P. He is going to plead not guilty, huh?

HP. That's right, unless we come to some agreement with him. His counsel's position is that it would be a travesty to try Dean and not try Ehrlichman and Haldeman.

P. Uh, huh.

HP. That is the basic information to the extent that it developed in these preliminary negotiations isn't much more than I gave you.

P. Well, let me ask you this. Based on this, though, you mean that inhibits you from using the information then, or do you use it, or how do you do it, or do you use it for leads, but you can't use it unless he pleads? right?

HP. We cannot use it for any purpose unless he pleads.

P. For no purpose?

HP. That's right. That's incorrect, unless we strike some agreement with him.

P. Hmp.

HP. He had a call from Ehrlichman—Ehrlichman wanted to meet with him tonight.

P. I see.

HP. About eight o'clock. We advised him he would have to make his own determination but suggested that he not.

P. I see.

HP. He, then, through his counsel informed us that he was writing a note to you in which he would say (1) that what he was doing was in your best interests and that that would all become apparent as this situation unfolded.

P. Right. Let me ask you this—why don't I get him in now if I can find him and have a talk with him?

HP. I don't see any objection to that, Mr. President.

P. Is that alright with you?

HP. Yes sir.

P. Alright—I am going to get him over cause I am not going to screw around with this thing. As I told you.

HP. Alright.

P. But I want to be sure you understand, that you know we are going to get to the bottom of this thing.

HP. I think the thing that—

P. What do you want me to say to him? Ask him to tell me the whole truth?

HP. Yes, sir. And there is one other thing: that is a signal from you might bring out the truth from Liddy.

P. From Liddy?

HP. Yes sir.

P. A signal from me? What do I do?

HP. He went to John Mitchell, I am told, and indicated that he would do whatever he was told to do.

P. I never met the man. I don't know what I can do with him.

HP. Uh, huh.

P. How do I give him the signal?

HP. Well, I will do it for you.

P. He, Liddy has talked to John Mitchell and said a signal from the President?

HP. No, he said a signal from Mitchell.

P. From Mitchell?

HP. Yes, sir, and so indicated that he was going to stand firm.

P. Then, what I am trying to get at, how do I get—I then would go over Mitchell to you, Liddy and you're telling me that?

HP. No. We just go and say that we have discussed this situation with the President of the United States and he thinks it is vitally important that you tell us everything you know.

P. I get it. Uh huh. OK. Now you will be through with your things you think by 12:30. Right?

HP. Yes, sir.

P. OK. Well, get a good night's sleep, huh?

HP. I will, indeed.

P. As good as you can.

HP. Yes, sir.

P. Ok.

HP. And you too.

P. Fine.

HP. Good night, Sir.

Appendix 27. Telephone conversation: The President and Petersen, April 15, 1973. (8:25–8:26 p.m.)

P. Hello.

Opr. I have Mr. Petersen.

P. Hello.

HP. Yes, sir, Mr. President.

P. I am trying to reach Dean—I think I may be able to get him, I hope. He seems to be in transit from someplace to someplace. But I will report to you after I see him.

HP. Very good.

P. In the meantime, on Liddy—I don't know the man, of course, and have no control over him, but, hell, you are to tell him the President wants everybody involved in this to tell everything they know. Ok?

HP. Indeed so. I will get in touch with his lawyer first thing in the morning.

P. You might do it tonight.

HP. Very good.

P. I don't want to stall around, Ok?

HP. Very good.

P. Don't you think that is the best thing to do?

HP. Indeed so.

P. Fine. One thing I want to be sure of Henry; you understand as far as Liddy is concerned I have no control over him—don't

know the man at all and I just want, since he has raised the question, that maybe not talking because of me—

HP. No, no—I don't want to leave that impression.

P. Because of Mitchell, huh?

HP. He is taking orders from higher authority. The decision is mine but since you are the highest authority he will stand in line if we handle it discreetly.

P. I just want him to be sure to understand that as far as the President is concerned everybody i. this case is to talk and to tell the truth. You are to tell everybody, and you don't even have to call me on that with anybody. You just say those are your orders.

HP. Yes, sir.

P. Ok.

HP. Alright, thank you, sir.

Appendix 28. Telephone conversation: The President and Peterson, April 15, 1973. (9:39–9:41 p.m.)

Opr. Yes, sir.

P. Mr. Peterson, please, you know, of the Justice Department.

Opr. Yes.

P. Hello.

HP. Mr. President.

P. Henry I have been—I talked to John Dean and haven't quite finished, but he stepped out for . minute. I wanted to ask you this. He says that he thinks it is important that I tell Liddy's attorney—I don't know who he is—by the name of Maroulis do you know him, that what I told you a few minutes ago.

HP. Yes—I have already been trying to get in touch with him.

P. Let me say this. You tell him, if necessary, you haul him in here and I will tell him. Ok?

HP. Alright. Indeed so.

P. You know what I mean. You tell him I have called you directly tonight and that you have it direct from the President if he needs it from me, I will tell him.

HP. Very good.

P. Because you see, John felt that maybe he wouldn't take it from you. But I would think he would—or what do you think? What is your judgment?

HP. Well, we certainly will tell him. He and Liddy are very close friends and I am certain the word would get back to him.

P. Right. Ok you tell Moroulis that the President has directed that you are to talk to him and tell him he is to tell everything he knows. He should have before but my point is, if necessary, if he has to come in to see me—but you come with him. I don't want any things where he comes in and makes any motions—you see what I mean?

HP. I understand.

P. Does this sound like good medicine to you or do you think I should not see him?

HP. I think we ought to reach that question after we see what the reaction is.

P. Right. I would prefer if you could handle it because it ought to be handled at your level rather than having me bring some attorney in and give him an order.

HP. I agree.

P. So you do it on my direction. I think that will do the trick. If it doesn't I will see him myself.

HP. Very well.

Appendix 29. Telephone conversation: The President and Peterson, April 15, 1973. 11:45–11:53 p.m.)

Opr. Yes, please.

P. Would you get me Mr. Henry Petersen of the Justice Department—Assistant Attorney General.

Opr. I certainly will sir, right. Thank you.

P. Hello.

HP. Yes, sir.

P. I hope I didn't wake you up.

HP. No, not at all.

P. I wanted to tell you first, I have—apparently I've got the President of the Rotary International at noon tomorrow. Could you make it 1:30?

HP. Yes, sir.

P. That won't interfere with your lunch or anything?

HP. No.

P. Fine. Second, I have met with Dean. I got him in finally and heard his story and I said directly to him, "Now when do you want to resign?" And, he said, "Well I will resign but I would prefer to wait until I have testified." Now I want to ask your judgment on that. I can bring him in in the morning and tell him, "Look, I want your resignation."

P. But, what do you want me to do? I don't want to interfere with your process?

HP. Mr. President, I don't think that we ought to—

P. Tip our hand?

HP. Not yet. He is the first one who has really come in.

P. Oh, I see.

HP. He came in a week ago Sunday.

P. Right. Let me say this. The main thing Henry we must not have any question, now, on this, you know I am in charge of this thing. You are and I am. Above everything else and I am following it every inch of the way and I don't want any question, that's of the fact that I am a way ahead of the game. You know, I want to stay one step ahead of the curve. You know what I mean?

HP. I understand.

P. So—if you think on Dean——

HP. I think we ought to hold the line.

P. Alright and you will let me know.

HP. Yes, sir. I will indeed.

P. As soon as—then I will call him in and naturally he will have to resign.

HP. Yes, sir.

P. Now Haldeman and Ehrlichman—I have informed both of them of the charges that have been generally made and I have said that if they stand up, and I didn't have to say it. They said well, of course, we will, we don't want to be an embarrassment. They are good guys. But my feeling with both of them, and it is only a question, and we talked today of when—no, it is whether, also, but I think you've got to hear Strachan and I think you've got to hear Dean and then I suppose you would want to hear them or do you think we should move on them before? Or do you want to think of that overnight?

HP. We would like to wait. We would like to wait, Mr. President.

P. Because like today, you were suggesting that we call them all in and have them resign and I just wanted to be sure you didn't think I should do that because I am perfectly prepared to.

HP. That is really your judgment. I think ultimately that is going to have to be done.

P. Yeah. But your point is that as far as the case is concerned, you are telling me now that it is best to wait. Is that the point?

HP. On Dean, yes. And on Ehrlichman/Haldeman—I suppose until we hear their testimony, which is, well we want to put them off until we can fashion all the——

P. All the others.

HP. things into a pattern.

P. How soon would that be, for my own planning, about a week?

HP. I don't think it is going to be less than a week and I would say two weeks or more.

P. Oh, you think it might be two weeks?

HP. I would say so. Yes, sir.

P. It will take that long, huh?

HP. I am afraid so because——

P. Well, by that time, my view is that the damn thing will leak out and I—well, be that as it may, we'll see.

HP. That conceals it.

P. Why don't you and I talk about that tomorrow?

HP. We will.

P. And we will look over the Haldeman/Ehrlichman thing to see what the facts are and maybe you could give me a little sheet of paper on both as to what you feel their vulnerabilities are so that I—could you do that?

HP. I will try indeed. Yes, sir.

P. I mean just say, for these reasons, etc., and then I will be in a position to act on it.

HP. Very good.

P. You understand, there isn't going to be any problem, of course, not with Dean and neither Haldeman nor Ehrlichman. They are perfectly prepared to do whatever I say at a moment's notice because they put the office first. But the only thing I am concerned about is in the prosecution of a case like this, it may be that if you have them move it may have an effect on some of the others you are trying to get to testify. I don't know, but——

HP. That is certainly true with Dean.

P. Certainly true with Dean?

HP. Yes sir.

P. Uh, huh. He is in a mood to resign right now but I will see. I will check him tomorrow.

HP. Are you seeing——

P. Uh huh. And Haldeman/Ehrlichman, you say we'll talk about it tomorrow. Or do you want to think about it?

HP. I want to think about it some more, yes, sir, because we are going to have to weave all of the facts with respect to them into a pattern. It is not going to come out neat and clean——

P. And clear——

HP. with respect to either one of them.

P. Because, in both cases they have a—basically in both of their cases, as I look at the thing since it is basically the obstruction of justice case for the most part, with the possibility of Haldeman of knowledge, although that is questionable to believe. But you have to hear Strachan before you decide that.

HP. Yes, sir.

P. But that's a matter which is going to involve your hearing them too, what they know, I suppose, as well as hearing the others.

HP. Oh, I think that is right and I think with respect to the obstruction of justice thing is concerned, it is easy for me to see how they fell into that, if you like.

P. Yeah. Un, huh. Rather than being directly conspirators?

HP. That's right. That's right.

P. And there is a difference in that respect, I suppose.

HP. That's right. A difference, at least, in moral culpability.

P. Sure. Motive.

HP. In plain terms of ultimate embarrassment, I think that—

P. The embarrassment is there, but in terms—basically in terms of motive which might be the legal culpability, they might be off but in terms of embarrassment they would have to be out of the government?

H.P. Yes, sir.

P. I get your point and, frankly, either one is enough. I understand that totally because that was what was involved in the Adams' case, as you recall.

HP. Yes.

P. He was not legally guilty of a damn thing. Well, he might have been, might have been, I suppose, making the telephone call, if they had ever brought him to trial. But because of the possibility, we had to move on him. Well in any event, I am glad to get your view on it but I want you to know that having talked to Dean and told him to wait, I wanted you to know that I had told him to wait because I had agreed with him that I would not do it until I heard from him, but let me say I am going to wait until I hear from you then, on Dean. Is that fair enough?

HP. Fine, yes, sir.

P. And you will probably hear him Monday or Tuesday, tomorrow—well, you don't know yet.

HP. We don't know yet. Now, it's not going to be that quick. We have Strachan, LaRue and O'Brien—

P. Tomorrow?

HP. Tomorrow. Let's say Monday and Tuesday.

P. Yep. Huh, huh. What about Magruder? You have to get him in there some place, don't you?

HP. We've had him in and we have to get his testimony in before the Grand Jury, and we are trying to work out with his lawyers as to whether or not—

P. Well, he will come in and plead guilty so you can. Because it seems to me, that your idea of getting him on and pleading guilty and beating the damn press and the Ervin Committee to it is a very good one. Otherwise, you know, they are going to say they forced you to do it. And that is very important, don't you agree?

HP. There are negotiations underway with counsel now and obviously they are very much afraid of Sirica. They are afraid Sirica is going to clapp him in jail immediately.

P. Oh.

HP. We have to see Sirica too.

P. Now, Sirica's got to see the point of this. My goodness because the point is Sirica's got to realize he is getting bigger fish.

HP. That's right.

P. Right?

HP. That is it exactly.

P. Alright. Good luck. Good by.

HP. Thank you for calling, Mr. President.

TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a period for the conduct of routine morning business, with a time limitation of 3 minutes attached thereto, the time not to go beyond the hour of 10 o'clock.

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

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

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

The second assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

RECESS UNTIL 9:55 A.M.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate stand in recess until the hour of 9:55 a.m. today.

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

At 9:44 a.m. the Senate took a recess until 9:55 a.m., at which time it was called to order by the President pro tempore.

DEVELOPMENT OF OIL SHALE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of calendar No. 797, S. 3009.

The PRESIDENT pro tempore. The bill will be stated by title.

The legislative clerk read as follows:

A bill (S. 3009) to provide that moneys due the States under the provisions of the Mineral Leasing Act of 1920, as amended, derived from the development of oil shale resources, may be used for purposes other than public roads and schools.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Interior and Insular Affairs with amendments, on page 1, line 7, after the word "paid", to insert "on or after January 1, 1974,"; on page 2, line 1, after the word "for", to insert "(1)"; in line 2, after the word "planning", insert "(2)"; and, in the same line, after the amendment just stated, to strike out "construction" and insert "construction"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 35 of the Act of February 25, 1920 (41 Stat. 450), as amended (30 U.S.C. 191), is further amended by striking the period at the end of the proviso and inserting in lieu thereof the language as follows: ": *And provided further,* That all moneys paid on or after January 1, 1974, to any State from sales, bonuses, royalties, and rentals of public lands for the purpose of research in or development of shale oil may be used by such State and its subdivisions for (1) planning, (2) construction and maintenance of public facilities, and (3) provision of public services, as the legislature of the State may direct.".

Mr. DOMINICK. Mr. President, it is with great pleasure that I have joined my distinguished colleague, Senator HASKELL, in calling up for consideration S. 3009. This bill amends the Mineral Leasing Act of 1920 to provide that moneys due the States under the provisions of the act, where those funds are derived from the development of oil shale resources, may be used for purposes other than public roads and schools. At the present time these moneys can only be used by the States for roads and schools. This is an unworkable situation.

The State of Colorado, through its legislature, has passed and signed into law a bill that will change the thrust of Federal mineral leasing funds. The measure provides that the mineral leasing funds be put into a trust fund, to be appropriated by the legislature. The language of the State bill authorizes the money to be appropriated beyond spending on highways and schools. The bill before us today is required in order to change the way the money can be used for the State of Colorado.

The State of Colorado has long awaited the development of the vast oil shale deposits contained within the western slope. The development of the oil shale industry will have a tremendous impact upon Colorado and especially the western slope. This overwhelming impact calls for comprehensive planning in order to meet the problems that have surfaced already and those that will certainly come up in the future.

The greatest impact of the oil shale industry will be the people problem—urbanization. Where hundreds live now, thousands will be living shortly. Boom towns are an old story in the West but in this day and age the effects can be much more difficult to cope with, especially in the magnitude in which the problems will occur.

Another equally serious impact will be economic. This is due not only to the leasing of Federal oil shale lands but also because the Federal Government is the biggest land owner in Garfield, Mesa, and Rio Blanco Counties, owning 61 percent of all the lands in Garfield; 73 percent of all the lands in Mesa; and 73 percent of all the land in Rio Blanco County. Because the Federal Government does not pay real property taxes on its lands to the counties, the few existing taxpayers bear a heavy burden to provide the services and facilities financed by the local real property tax base. The counties' real property tax base could be called upon to supply increased facilities and services as a result of the leasing of Federal oil shale lands.

The Department of the Interior has offered two 5,000 acre tracts in Colorado for lease. These tracts have been leased to a combined total of six oil companies. These oil companies bid over $327 million for the development rights to these tracts. This money will go to the Federal and State governments as a bonus.

The State of Colorado will receive 37½ percent of the bonus bid moneys. The rest of the funds go to the Federal Government with 52½ percent earmarked for the Bureau of Reclamation and 10 percent credited to "miscellaneous receipts for the Department of Interior general fund.

Of the $327 million, the State of Colorado will receive at least $73.5 million. This money under the Mineral Leasing Act of 1920 could only be used for roads and schools. This bill, S. 3009, allows, as stated earlier, the State to use the funds for the broad range of services that will be required to meet the demand caused by growth in the area.

The thousands of new residents will call upon the local communties to provide the services that will be needed. Water and sewer treatment plants, health and emergency services, police and fire protection—all must be considered, planned, and funded.

Mr. President, by passing S. 3009 local governments in the affected area can begin using available funds to plan for and provide these services. The flexibility provided by S. 3009 must be implemented to allow this planning of public facilities and public services.

I urge the passage of this bill and call upon my colleagues in the Senate for their support.

Mr. HASKELL. Mr. President, the bill before us today, S. 3009, will provide that moneys due the States under the provisions of the Mineral Leasing Act of 1920 which are derived from the development of oil shale resources may be used to help the States plan for and cope with the impact of oil shale development.

The bill is absolutely crucial to the

future of those communities which are going to be hit the hardest by the impact of oil shale development.

Section 191 of the Mineral Leasing Act of 1920 limits the States to using their portion of the bonus bid moneys, "to be used by such State or subdivisions thereof for the construction and maintenance of public roads or for the support of public schools or other public educational institutions, as the legislature of the State may direct."

This provision hamstrings the State and makes it impossible to initiate the comprehensive planning for development which is so necessary if the "people impact" of oil shale development is to be handled wisely.

I originally introduced the bill on February 18, 1974, after conducting a 1-day hearing on the impact of oil shale development. The hearing was held in Grand Junction, Colo., and was the first hearing a subcommittee of the U.S. Senate has ever held in Grand Junction. The people who testified are vitally aware of both the promise and problems associated with oil shale. Over 25 people testified and the Grand Junction Civic Auditorium was filled from morning to evening with people who had come to listen and to speak about their plans and problems.

As I have said before I came away tremendously impressed with the willingness and the ability of local government to prepare for an oil shale boom—if we give them the necessary funds to do the job.

Those funds will be provided by S. 3009.

The Subcommittee on Minerals, Materials and Fuels, chaired by my colleague from Montana, Mr. METCALFE, held a hearing on S. 3009 and S. 3010. The latter bill would have provided that all revenues due the States from leasing of public lands under the Mineral Leasing Act would have been freed from the old constraints on use of the funds. The subcommittee decided that since the impact of shale development is imminent and of a great magnitude that passage of S. 3009 was an appropriate first step. The other bill is still pending before the Interior Committee.

The Colorado Legislature has already passed HB 1046 which will permit it to direct oil shale revenues to those areas of need resulting from the impact of proposed oil shale development. The State has been both active and far-sighted in making plans to live with the effects of the development.

Researchers at the University of Denver Research Institute have forecast that the development of a mature oil shale industry will add 160,000 people to the area in the next 15 years. The nonoil shale population will likely be around 147,600 for a total population of over 300,000. The magnitude of the potential effect can only be understood when one considers that the current population in the affected area is near 80,000 so the resulting increase will be 3½ times the current figure.

Several of my colleagues from the Western States have joined me in pushing for the legislation. The bill has been cosponsored by my colleague from Colorado, Senator DOMINICK, and by two of the senior members of the Committee on Interior and Insular Affairs, Senator FANNIN and Senator HANSEN. As the United States moves toward becoming energy self-sufficient all of the Western States will feel the crunch. Montana and Wyoming are rich in coal; Idaho and California both have a tremendous potential to supply geothermal energy; Colorado and Utah both have oil shale and natural gas deposits which will no doubt be tapped—the list goes on and on.

I am extremely pleased with the favorable response to this legislation. The Governor of Colorado, John Vanderhoof, challenged the Congress when he testified in Grand Junction by saying:

But Congress does need to move and move rapidly to give us those tools that we can use to do the situation right for once.

The mayor of Grand Junction, Stanley Anderson, put the need succinctly:

If, as has been suggested, the national energy crisis is the result of poor planning and miscalculation at the national level, where virtually unlimited funds have been available, how can we now expect or require that limited local resources are equal to the task of its solution? The single point of contention at the outset of impacted growth will be for the allocation of front end monies.

Mr. President, I feel pleased and honored that the Senate intends to act today on this legislation. It is the single most important piece of legislation for Colorado that I have been involved in since coming to the Senate.

I ask unanimous consent that excerpts from the report on legislation, No. 93–828, be printed at this point in the RECORD.

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

EXCERPTS FROM REPORT NO. 93–828

[To accompany S. 3009]

The Committee on Interior and Insular Affairs, to which was referred the bill (S. 3009) to provide that moneys due the States under the provisions of the Mineral Leasing Act of 1920, as amended, derived from the development of oil shale resources, may be used for purposes other than public roads and schools. Having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

The amendments are as follows:

On page 1, line 7, insert "on or after January 1, 1974," between "paid" and "to".

On page 2, line 1, delete the comma after "construction" and insert "(1)" before "planning" and "(2)" before "construction".

On page 2, line 2, insert "(3)" before "provision".

I. PURPOSE

Section 35 of the Mineral Leasing Act of 1920 (30 U.S.C. 191) provides that 37½ percent of the revenues from mineral leasing are paid to the State in which the public lands involved are located. The law requires that the States use this money "for the instruction and maintenance of public roads or for the support of public schools or other public institutions, as the legislature of the State may direct."

S. 3009 would amend Section 35 with respect to revenues from oil shale leases. It would permit each State to use its share of oil shale revenues for "(1) planning, (2) construction and maintenance of public facilities, and (3) provision of public services."

II. NEED

The oil shale reserves in the Green River formation in Colorado, Utah, and Wyoming contain the equivalent of 600 billion barrels of oil—a quantity approximately equivalent to the entire known world reserves of oil. Others estimate the reserves may be as high as 1.8 trillion barrels, a total which would be 47 times the total U.S. reserves.

The vast majority of these deposits—approximately 80 percent—is on public lands.

This Nation has recently embarked on a program of leasing those public lands for the development of our shale resources. Through its prototype leasing program the Department of the Interior has offered two 5,000-acre tracts in Colorado and two 5,000-acre tracts in Utah. Two more tracts in Wyoming will be offered in May and June of this year.

If, as seems likely, there is a substantial oil shale boom, state and local governments will have to provide a wide range of community service to large numbers of new residents. Roads and schools are just part of such services.

Water and sewer treatment plants, health and emergency services, police and fire protection all must be considered, planned, and funded.

Once the Federal law is changed, and assuming a comparable change is made in State law, local governments in the affected area can immediately begin using available funds to plan and provide the entire range of services growth will demand.

The need to provide the necessary flexibility to State and local governments to use funds derived from sales, bonuses, royalties, and rentals of public lands for oil shale development is obvious. The local people will bear the impact of helping to meet national energy needs. S. 3009 will help provide the necessary planning and construction funds to help them.

III. EXPLANATION OF AMENDMENTS

The Committee amendments simply clarify the original intent of S. 3009 that it apply to all revenues received from oil shale leasing, including lease sales held in 1974 prior to enactment of S. 3009.

IV. COMMITTEE RECOMMENDATIONS

The Committee on Interior and Insular Affairs, in open Executive Session on May 2, 1974, unanimously recommended that S. 3009, as amended, be approved by the Senate.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

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

The second assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

JOINT REFERRAL OF A PROSPECTUS

Mr. RANDOLPH. Mr. President, I ask unanimous consent that the prospectus for a proposed vehicle compliance test facility, as required under the National

Traffic Motor Vehicle Act of 1966, as amended, which was referred to the Commerce Committee on February 19, 1974, be rereferred to the Committee on Commerce and the Committee on Public Works, jointly and simultaneously, as stipulated by that act.

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

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. CANNON, from the Committee on Rules and Administration; without amendment:

Senate Resolution 314. Resolution authorizing the printing of the committee print entitled "Freedom of Information Act Source Book" as a Senate document (Rept. No. 93-833).

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

S. 2439. A bill to amend the Wild and Scenic Rivers Act of 1963 by designating a segment of the New River as a potential component of the national wild and scenic rivers system (Rept. No. 93-831).

Mr. HASKELL. Mr. President, today, on behalf of the Committee on Interior and Insular Affairs, I am filing the report on S. 2439, a bill to designate a segment of the New River in North Carolina and Virginia for study for possible inclusion in the national wild and scenic rivers system.

The wild and scenic rivers system is a national resource and the initial responsibility for husbanding and improving that resource is in the hands of the Interior Committee which has jurisdiction over the Wild and Scenic Rivers Act. Of course, we on the committee recognize that the decision on any particular river—whether, first, to study it, or, later, to designate it a wild and scenic river—is not only a national issue but a local and regional issue. Often, as in the case of the New River, the Senators from the region do not sit on the committee and, although they can testify during the hearings, they cannot participate in the committee's final deliberations on the proposed legislation. We, therefore, recognize that the most critical moment in the progress of wild and scenic legislation in the Senate may often occur when it is taken up on the floor. At this point, the affected Senators can more effectively present whatever alternative futures they may have for the river.

Nevertheless, I would like to emphasize that the Interior Committee, in unanimously reporting S. 2439, found the New River to be eminently worthy of study. The New clearly possesses, in abundance, attributes which we look for in designating a river for study.

My colleagues should be aware that an alternative use has been proposed for a portion of the segment of the New River proposed for study. Pending before the FPC for the last 9 years is a proposal by the Appalachian Power Co. for a combination conventional and pumped storage hydroelectric facility. The facility, requiring two impoundments, would, according to Appalachian, generate 385 million kilowatt-hours of electricity per year to be sold in Virginia and States to the west. The FPC administrative law judge has recommended licensing of the facility on three separate occasions, most recently on January 23, 1974.

Opposition to the facility, as expressed in testimony in the hearing on S. 2439, is based in part on the damage to the wild and scenic nature of the river. The impounded water would cover 40,000 acres of land, would eliminate 44 miles of the river and 212 miles of tributary creeks, would, at certain times, leave large stretches of mud flats, and would reduce much of the flora and fauna. Perhaps the most vehement opposition came from the people of the region whose families have lived there for generations. Estimates of the number of residents which would be displaced by the facility vary from 3,000 to 5,000. For 1973, the estimated value of the raw agricultural products from the North Carolina lands to be inundated amounts to $8.5 million.

In regard to this facility, I would like to reiterate a number of points made in the committee report:

The committee and I, in particular, share the concern expressed by the Secretary of the Interior in a letter to Senator HELMS of April 4, 1974. In that letter, the Secretary urged enactment of S. 2439 and said:

> I share your belief that the development of adequate energy supplies is a critical national priority; but I believe as you do, that we must weigh carefully the environmental impacts of such development. I am not convinced at this time, without benefit of further study, that it would be in the interest of sound resource management to forego 40,000 acres of land and 70 miles of heretofore free-flowing river for the sake of pumped storage peaking capacity which exceeds projected demand.

The committee clearly does not regard itself competent to fully judge the adequacy of the Blue Ridge project. This, of course, is the responsibility of the Federal Power Commission. However, I do not hesitate to add that serious questions were raised concerning that facility. The Blue Ridge project was proposed nearly a decade ago, way before the recent energy crisis and the shifts in energy policy which that crisis has evoked. Is a pumped storage facility which consumes 3-kilowatt hours in pumping for every 2-kilowatt hours it generates now appropriate? Is a facility which has proposed a two-thirds reduction in its output within 20 years really essential in comparison to a river which can be preserved for the enjoyment of generations to come?

The project was also proposed prior to the enactment of the Wild and Scenic Rivers Act and its new national policy of preserving certain rivers in their free-flowing state. The committee may lack competence to judge a hydroelectric facility, but the FPC certainly has no competence to judge the potential of a river for wild and scenic river status. The FPC proved this in the case of the Blue Ridge project. For example, virtually no attention was given in the FPC impact statement for the Blue Ridge project to the recreational or historic benefits of a free-flowing river. Instead, the statement implied that the only recreational benefits to be found would be those contributed by the project. As the Environmental Protection Agency noted in its comments on the environmental impact statement:

> Even if mechanisms are fully implemented to mitigate the [other] possible detriments cited above, it can be effectively argued that the Blue Ridge project may still entail major adverse impacts on the environment in that it would eliminate a major environmental resource of marked scenic, and recreational and biological value, the upper New River, and replace it with a flatwater expanse having questionable biological productivity.
>
> The fundamental effect of a reservoir project is to replace a flowing stream with a flatwater expanse. Thus, a basic issue which must be addressed is the comparison of the relative scarcity and value of the two environmental resources, stream and reservoir.
>
> * * * * *
>
> Our appreciation of these trends leads us to believe that broad water expanses suitable for recreation will become progressively less scarce as time passes. On the other hand, high quality natural rivers of which we possess a limited number, are becoming relatively less abundant and more valuable. . . . We believe the possibility of preserving this outstanding river reach by developing alternative generating facilities and/or an alternative pumped storage site in and area where the destruction of natural values would be less significant merits serious further study.

In summary, Mr. President, the committee voted unanimously to recommend to the Senate that the approximately 70-mile segment of the New River be studied as a potential component of the wild and scenic rivers system. The committee and I, in particular, firmly believe that a maximum delay of 2 years to complete a study of the New River's potential as a wild and scenic river, after an already lengthy delay of 9 years to study the potential for a pumped storage hydroelectric facility on the river, is wise to insure that the best use of the river for this and succeeding generations is chosen.

I commend this legislation to my colleagues and express my hope for its early enactment.

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

S. 1411. A bill to authorize the Sisseton and Wahpeton Sioux Tribe of the Lake Traverse Reservation to consolidate its landholdings in North Dakota and South Dakota, and for other purposes (Rept. No. 93-832).

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

S. 634. A bill to declare that certain federally owned lands shall be held by the United States in trust for the Kootenai Tribe of Idaho, and for other purposes (Rept. No. 93-837).

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

Senate Resolution 74. Resolution expressing the sense of the Senate with respect to the submission of United States territorial disputes to the International Court of Justice (Rept. No. 93-842);

Senate Resolution 75. Resolution expressing the sense of the Senate with respect to the adjudication of disputes arising out of the interpretation or application of international agreements (Rept. No. 93-842); and

Senate Resolution 78. Resolution expressing the sense of the Senate with respect to access to the International Court of Justice (Rept. No. 93-842).

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

S. 2665. A bill to provide for increased participation by the United States in the International Development Association (Rept. No. 93-834); together with supplemental and additional views.

H.R. 12412. An act to amend the Foreign Assistance Act of 1961 to authorize an appropriation to provide disaster relief, rehabilitation, and reconstruction assistance to Pakistan, Nicaragua, and the Sahelian nations of Africa (Rept. No. 93-835);

H.R. 12799. An act to amend the Arms Control and Disarmament Act, as amended, in order to extend the authorization for appropriations, and for other purposes (Rept. No. 93-836).

Senate Resolution 76. Resolution expressing the sense of the Senate with respect to establishing regional courts within the International Court of Justice, increasing the categories of parties which may request advisory opinions from the International Court of Justice, selecting judges of the International Court of Justice, and having the International Court of Justice consider cases outside The Hague (Rept. No. 93-842); and

Senate Resolution 77. Resolution expressing the sense of the Senate with respect to the jurisdiction of the International Court of Justice (Rept. No. 93-842).

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

S. 3473. An original bill to authorize appropriations for the Department of State and the U.S. Information Agency, and for other purposes (Rept. No. 93-838), together with supplemental views.

By Mr. HARRY F. BYRD, JR., from the Committee on Armed Services, without amendment:

H.R. 3418. An act to amend section 505 of title 10, United States Code, to establish uniform original enlistment qualifications for male and female persons (Rept. No. 93-839).

By Mr. HARRY F. BYRD, JR., from the Committee on Armed Services, with amendments:

H.R. 5621. An act to amend title 10, United States Code, to provide for the presentation of a flag of the United States for deceased members of the Ready Reserve (Rept. No. 93-840); and

H.R. 12670. An act to amend section 301 of title 37, United State Code, relating to incentive pay, to attract and retain volunteers for aviation crew member duties, and for other purposes (Rept. No. 93-841).

By Mr. HARTKE, from the Committee on Veterans' Affairs, without amendment:

S. 3398. A bill to amend title 38, United States Code to provide a 10-year delimiting period for the pursuit of educational programs by veterans, wives, and widows (Rept. No. 93-843).

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. DOMINICK:

S. 3460. A bill to amend the Internal Revenue Code of 1954 with respect to certain charitable contributions. Referred to the Committee on Finance.

By Mr. EASTLAND:

S. 3461. A bill for the relief of Kwan Do Sun. Referred to the Committee on the Judiciary.

By Mr. WEICKER:

S. 3462. A bill to provide for the establishment of a national cemetery in Connecticut or in Standard Federal Region 1. Referred to the Committee on Veterans' Affairs.

By Mr. PASTORE (for himself and Mr. HUDDLESTON):

S. 3463. A bill to amend the Communications Act of 1934 to relieve broadcasters of the equal time requirement of section 315 with respect to candidates for President and Vice President. Referred to the Committee on Commerce.

By Mr. LONG:

S. 3464. A bill to amend the Internal Revenue Code of 1954 to allow a deduction from gross income for social agency, legal, and related expenses incurred in connection with the adoption of a child by the taxpayer. Referred to the Committee on Finance.

By Mr. DOLE:

S. 3465. A bill to amend the Consolidated Farmers Home Administration Act. Referred to the Committee on Agriculture and Forestry.

By Mr. INOUYE:

S. 3466. A bill to provide for the conveyance of the island of Kahoolawe to the State of Hawaii, and for other purposes. Referred to the Committee on Armed Services.

By Mr. DOMENICI (for himself, Mr. BENNETT, and Mr. Moss):

S. 3467. A bill to amend the Mining and Minerals Policy Act of 1970, and for other purposes. Referred to the Committee on Interior and Insular Affairs.

By Mr. SPARKMAN (by request):

S. 3468. A bill to provide expanded support for scholarly, cultural and artistic exchange programs between Japan and the United States, and for other purposes. Referred to the Committee on Foreign Relations.

By Mr. PACKWOOD (for himself and Mr. GRAVEL):

S. 3469. A bill to amend the Internal Revenue Code of 1954 to provide for the adjustment of the individual income tax tables, the standard deduction, and the personal exemption deduction when necessary to reflect inflation. Referred to the Committee on Finance.

By Mr. BROCK:

S. 3470. A bill to amend the Interstate Commerce Act in order to promote consumer interests in transportation. Referred to the Committee on Commerce.

By Mr. STENNIS (for himself and Mr. THURMOND) (by request):

S. 3471. A bill to authorize certain construction at military installations and for other purposes. Referred to the Committee on Armed Services.

S. 3472. A bill to amend title 37, United States Code, to refine the procedures for adjustments in military compensation and for other purposes. Referred to the Committee on Armed Services.

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

S. 3473. A bill to authorize appropriations for the Department of State and the United States Information Agency, and for other purposes. Placed on the calendar.

By Mr. EAGLETON:

S. 3474. A bill to amend the District of Columbia Unemployment Compensation Act;

S. 3475. A bill to authorize in the District of Columbia a plan providing for the representation of defendants who are financially unable to obtain an adequate defense in criminal cases in the courts of the District of Columbia, and for other purposes;

S. 3476. A bill to amend section 1291 of the act of March 3, 1901, relating to marriage licenses in the District of Columbia;

S. 3477. A bill to amend the act of August 9, 1955, relating to school fare subsidy for transportation of schoolchildren within the District of Columbia; and

S. 3478. A bill to establish the District of Columbia Defender Service, and for other purposes. Referred to the Committee on the District of Columbia.

By Mr. MOSS:

S. 3479. A bill to authorize the Secretary of the Interior to cooperate with the States and political subdivisions thereof in the enforcement of State and local laws, rules, and regulations on certain lands administered by the Secretary of the Interior. Referred to the Committee on Interior and Insular Affairs.

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

S. 3480. A bill to authorize a national summer youth sports program. Referred to the Committee on Labor and Public Welfare.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. DOMINICK:

S. 3460. A bill to amend the Internal Revenue Code of 1954 with respect to certain charitable contributions. Referred to the Committee on Finance.

Mr. DOMINICK. Mr. President, on April 4, 1974, I introduced S. 3312, with eight of my colleagues as cosponsors, to provide certain homes for the aged—now classified as private foundations—the same privileged tax status extended to hospitals.

I introduced that bill to mitigate the effects of the Tax Reform Act of 1969, which was responsible for the siphoning off of the top 4 percent of investment income of these homes for the aged, as well as requiring that 4 percent of their assets be disbursed each year. I pointed out at that time that these provisions were forcing the homes to dip into their capital in order to avoid the penalties contained in the Internal Revenue Code, and were leading to the eventual depletion of some of our country's older charitable organizations which have had the misfortune to be included under the definition of "private foundation."

The bill which I am today introducing is an amended version of S. 3312. The Department of the Treasury had raised objections to certain of the technical provisions of S. 3312, but it is my understanding that the bill I am introducing today is acceptable to the Treasury Department.

Mr. President, next week, the Foundations Subcommittee of the Senate Committee on Finance will hold hearings, and Mr. Karl Ross, president of the Myron Stratton Home for the Aged in Colorado Springs, Colo., will present testimony before the subcommittee on the need for the provisions contained in this bill. I am confident that the Finance Committee will be sympathetic to the plight of the Myron Stratton Home, and the many homes across the country in identical straits, and will act promptly to bring this bill before the Senate for passage.

Mr. President, due to the press of time, I have not had the opportunity to contact the original cosponsors of S. 3312—Senators BAYH, BENTSEN, BUCKLEY, DOLE, STENNIS, TAFT, TOWER, and TUNNEY—but I welcome their support on this legislation, and I ask that Senator CRANSTON be added as a cosponsor to S. 3312, and I am hopeful they will again join me in sponsoring this badly needed legislation.

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

By Mr. WEICKER:

S. 3462. A bill to provide for the establishment of a national cemetery in Connecticut or in Standard Federal Region 1. Referred to the Committee on Veterans' Affairs.

Mr. WEICKER. Mr. President, today I am introducing a bill directing the Administrator of the Veterans' Administration to establish a national cemetery in Connecticut or in the New England area.

In a recent comprehensive study of the national cemetery system by Veteran's Administration, pursuant to Public Law 93–43, the inadequacies in present system is clearly evident. At present, there exist no available grave sites in Standard Federal Region 1, which includes Connecticut, Vermont, New Hampshire, Maine, Massachusetts, and Rhode Island. In fact, there is only one national cemetery in the entire region—Togus, Maine—and it has long since been closed out.

According to the study, nationally there are about 29 million veterans eligible for future burial benefits. To effectively meet this demand, an expansion in the present system is essential. To exemplify this point, I would like to refer to some provoking statistics formulated by the Veterans' Administration. In region 1, it is projected that over 800,000 veterans will die by the year 2000. Projected veterans' deaths in my own State of Connecticut have been estimated at over 220,000 during that same time period. In 1975 alone, 5,800 veterans will die in Connecticut and there will be no available national cemetery plots to provide interment for our veterans. Furthermore, the National Center for Health Statistics and Cremation estimate that only 4.3 percent of funeral rites in the Northeast involve cremation.

A close analysis of the detailed State-by-State projections of veteran deaths, compiled by the Veterans' Administration will provide a clearer understanding of the scope of the demand in both Connecticut and New England.

PROJECTED DEATHS OF VETERANS, BY STATE, FISCAL YEARS 1975–2000

Region and State	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Region I	22,085	22,925	23,825	24,256	25,142	26,027	27,326	28,801	29,529	30,401	31,255	32,091	32,383	32,230
Connecticut	5,892	6,166	6,356	6,599	6,840	7,080	7,434	7,835	8,149	8,390	8,632	8,857	8,937	8,987
New Hampshire	1,383	1,436	1,492	1,553	1,610	1,667	1,750	1,844	1,935	1,992	2,029	2,103	2,122	2,154
Maine	1,801	1,869	1,942	1,982	2,055	2,127	2,233	2,354	2,431	2,503	2,575	2,642	2,666	2,697
Massachusetts	10,621	11,025	11,458	11,517	11,938	12,358	12,974	13,675	13,855	14,264	14,674	15,057	15,194	14,963
Rhode Island	1,605	1,666	1,732	1,725	1,787	1,850	1,943	2,048	2,059	2,120	2,180	2,237	2,258	2,211
Vermont	783	813	845	880	912	945	992	1,045	1,100	1,132	1,165	1,195	1,206	1,228

Region and State	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
Region I	32,345	32,458	33,522	34,612	35,438	36,174	36,572	36,969	37,253	37,175	37,789	38,293	816,876
Connecticut	9,019	9,051	9,344	9,648	10,000	10,208	10,320	10,432	10,512	10,574	10,748	10,892	226,852
New Hampshire	2,162	2,169	2,219	2,291	2,375	2,424	2,451	2,478	2,497	2,527	2,569	2,603	53,835
Maine	2,707	2,716	2,803	2,894	3,000	3,062	3,096	3,130	3,154	3,192	3,245	3,288	68,164
Massachusetts	15,006	15,059	15,593	16,100	16,313	16,652	16,835	17,017	17,148	16,958	17,238	17,468	380,950
Rhode Island	2,218	2,226	2,278	2,352	2,375	2,424	2,451	2,478	2,497	2,394	2,434	2,466	56,014
Vermont	1,233	1,237	1,285	1,327	1,375	1,404	1,419	1,434	1,445	1,530	1,555	1,576	31,061

This disgraceful deficiency comes at a time when burial and funeral costs continue to escalate. Klein and Saks, management consultants, estimate the average cost for a funeral and burial in the Northeast is $2,258. This legislation will help to defray these costs.

In response to this extreme shortage of cemeteries, the Veterans Administration has recommended the establishment of a national cemetery in each of the 10 standard Federal regions. This proposal simply directs the Administrator of the Veterans Administration to give priority consideration to the State of Connecticut in establishing a national cemetery in the New England area.

Since the beginning of our national cemetery policy in the Civil War, we have properly accorded honor, dignity and recognition to our deceased veterans. This vitally needed measure would carry forth this longstanding policy commemorating these individuals and families who faithfully served this Nation.

Furthermore, Mr. President, I am pleased to announce the endorsement of this legislation by the national organization of Veterans of Foreign Wars and the Connecticut chapters of the American Legion and VFW. I ask unanimous consent that the letters and telegrams of support from these organizations be printed in the RECORD.

Mr. President, I ask unanimous consent that certain telegrams and letters, and the full text of the bill be printed in the RECORD.

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

S. 3462

A bill to provide for the establishment of a national cemetery in Connecticut or in Standard Federal Region 1

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of Veterans' Affairs is authorized and directed to (1) establish a national cemetery in the State of Connecticut or in Standard Federal Region 1 as designated by the National Cemetery system study submitted by the Veterans' Administration pursuant to Public Law 93–43 at such location as he determines most appropriate, and (2) with the approval of the appropriate local officials of the site selected, acquire by donation, purchase, condemnation, or otherwise, such land as may be required for the establishment of such cemetery.

SEC. 2. The Administrator of Veterans' Affairs is authorized and directed to provide for the care and maintenance of the national cemetery established under authority of this Act.

SEC. 3. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

VETERANS OF FOREIGN WARS
OF THE UNITED STATES,
Washington, D.C., May 3, 1974.

Hon. LOWELL P. WEICKER, Jr.,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR: A Priority Legislative Goal of the Veterans of Foreign Wars for a number of years has been the establishment of at least one national cemetery in every State.

It is most regrettable that there is no national cemetery in any one of the six New England States. Accordingly, the Veterans of Foreign Wars is extremely pleased that you intend to introduce legislation calling for the establishment of a national cemetery in one of the New England States.

You may rest assured that the Veterans of Foreign Wars will be extending its fullest support to your bill, with the goal of having your bill favorably considered and approved by the Veterans' Committee and the full Senate. You have the highest commendation of the Veterans of Foreign Wars for introducing this most important and meritorious bill.

With best wishes for continued success as an outstanding member of the United States Congress and with kind personal regards, I am.

Sincerely,

FRANCIS W. STOVER,
Director, National Legislative Service.

TELEGRAM

Hon. LOWELL P. WEICKER Jr.,
New Senate Office Building,
Washington, D.C.

Thirty-two overseas war veterans who are members of VFW in Connecticut applaud you for your decision to introduce legislation to establish a national veterans cemetery in Connecticut if possible or at least in regional area one. This organization wholeheartedly supports your efforts and would request all others interested in the welfare of "he who was borne in the brunt of battle" to give you the same support.

MICHAEL J. SCRICCA,
State Commander, Department of Connecticut Veterans of Foreign Wars of the United States.

TELEGRAM

U.S. SENATOR LOWELL WEICKER,
Washington, D.C.:

Wholeheartedly support your proposed legislation calling for the establishment of a national cemetery in Connecticut.

Deputy Colegislative Chairman John Roberto of Norwalk, Edward Lynch of Waterbury concur with the deputy commander of

the American Legion of Connecticut William Mager.

By Mr. PASTORE (for himself and Mr. HUDDLESTON):

S. 3463. A bill to amend the Communications Act of 1934 to relieve broadcasters of the equal time requirement of section 315 with respect to candidates for President and Vice President. Referred to the Committee on Commerce.

Mr. PASTORE. Mr. President, the legislation I and Senator HUDDLESTON are introducing today would repeal the equal opportunities requirement of section 315 of the Communications Act insofar as it applies to legally qualified candidates for the offices of President and Vice President in the general election campaign.

Mr. President, in 1976 there will be no incumbent for the office of the Presidency, so many of the arguments that have been urged to defeat this measure in the past will not be applicable.

The networks have again offered substantial amounts of expensive air time free to the major candidates if they are relieved of the requirements of section 315.

Last year the Senate rejected this provision when I offered it as an amendment to the campaign reform legislation (S. 372). It was defeated by a vote of 50 to 43, and I believed then and still do that many of those who voted against it were taken by surprise and did not have time to reflect on what has been a fact of life up until now. Namely, the House has not accepted a repeal of section 315 when it goes beyond the offices of President and Vice President.

Whatever the merits of a broader repeal, and we believe there are many, if we want to reduce the cost of the 1976 Presidential campaign substantially, I believe the Congress should act in this one area which we know from past experience is acceptable to both Houses of Congress.

After all, Mr. President, it is the Presidential election which attracts a large number of candidates. This is the section which inhibits broadcasters from giving free time to the candidates.

I therefore urge the Senate to enact this legislation promptly.

By Mr. LONG:

S. 3464. A bill to amend the Internal Revenue Code of 1954 to allow a deduction from gross income for social agency, legal, and related expenses incurred in connection with the adoption of a child by the taxpayer. Referred to the Committee on Finance.

THE DEDUCTION OF ADOPTION EXPENSES ON TAX RETURNS

Mr. LONG, Mr. President, our present Federal income tax law does not allow taxpayers a personal income tax deduction for expenses incurred in the adoption of a child. However, parents who give birth to a child usually have some type of medical insurance to help with this expense and also this expense can be deducted on tax returns. Today I am here, hopefully, to change this antiquated law by introducing legislation which would allow a deduction for this type of expense.

At the present time, there are approximately 190,000 children who are in public institutions and foster homes. This represents a financial drain on our society as these children must be supported through public funds or charity. My proposal would not only help to ease this financial burden on the taxpayer, but would make more homes available to these homeless children.

An adoption arranged through a private agency could cost as much as $1,000, and sometimes more, and $800 for an independent adoption. Even if adoption proceedings were conducted through a public agency, there would still be the cost of attorneys' fees which could run as high as $450 if not more.

Adoption expenses consist of legal fees, social agency costs—which may include medical care of the natural mother and infant, court costs, and the costs of making the necessary studies that go into seeing that a child is placed in the proper and most loving home.

There are a number of middle- and low-income families who want to adopt a child, but are unable to pay these high expenses. Therefore, it is up to us, the Congress, to try to help these families, as well as these orphans.

Now, most of us here are fathers and as fathers, I am sure we all agree there is nothing sadder than a child without parents or a home. These children cannot help their circumstances; and yet, these children need the love and devotion that only a parent can give them. So, I am asking you as a father and colleague to join with me in insuring the passage of this legislation.

Mr. President, I ask unanimous consent that the text of my bill on the deduction of adoption expenses on tax returns be printed in the RECORD at this point.

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

S. 3464

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to additional itemized deductions for individuals) is amended by redesignating section 219 as section 220 and by inserting after section 218 the following new section:

"SEC. 219. ADOPTION EXPENSES:

"(a) ALLOWANCE OF DEDUCTION—There shall be allowed as a deduction the amount of any adoption expenses (as defined in subsection (b) paid by the taxpayer during the taxable year.

"(b) DEFINITION—As used in this section, the term 'adoption expenses' means expenses which pertain to the legal adoption of a child by the taxpayer, and which are incurred in accordance with applicable State or Federal laws, including social or adoption agency fees, court costs, attorneys' fees, and other necessary costs and fees in connection with the adoption of the child.

"(c) EXPENSES OTHERWISE ALLOWABLE AS DEDUCTION—No amount which is allowable as a deduction under any other provision of this part shall be allowed as a deduction under this section."

(b) The table of sections for part VII of subchapter B of chapter 1 of such Code is amended by striking out

"Sec. 219. Cross references." and inserting in lieu thereof

"Sec. 219. Adoption expenses."

"Sec. 220. Cross references."

SEC. 2. The amendments made by this Act shall apply only with respect to taxable years beginning after December 31, 1972.

By Mr. DOLE:

S. 3465. A bill to amend the Consolidated Farmers Home Administration Act. Referred to the Committee on Agriculture and Forestry.

CERTIFICATION OF RURAL DEVELOPMENT PROJECTS

Mr. DOLE. Mr. President, the Rural Development Act, as passed by Congress in 1972, requires the Secretary of Labor to certify within 60 days that certain conditions have been met before the Department of Agriculture can give any financial or other assistance under the rural industrialization assistance section of the act. The effect of this provision has been to delay the approval of rural industralization assistance projects for nearly 60 days. I believe it was a mistake to require this certification and offer this bill to repeal that provision.

CONDITIONS TO BE CONSIDERED

The conditions which the Secretary of Labor must certify are essentially twofold. First, no rural industrialization project under the act can result in the transfer of jobs or business activity from one area to another. Second, no project is to result in a surplus of products which will be detrimental to competitive enterprises in the area.

I am not quarreling with these conditions. But I am concerned about avoiding unnecessary delays in rural development. My colleagues who have been closely watching rural areas know that precious little has been done under the Rural Development Act. It is essential that we prevent further delay in getting assistance to the rural areas where it is needed.

CERTIFICATION SHOULD BE MADE

I believe that the conditions prescribed in the bill should be considered and my bill states that the Secretary of Agriculture will make an evaluation as specified in the act. I have made an informal check with the Department of Agriculture and the indications are that this can be accomplished. Hopefully, this procedure would be more rational than the present system. After all, the Department of Labor should not be expected to have a large number of offices in rural areas since the bulk of labor is concentrated in metropolitan areas. On the other hand, USDA has over 1,700 local offices in rural areas, and should be able to make this evaluation more effectively and quickly.

Congress mandated a wide range of improvements in the rural environment in 1972 and assistance is long overdue. I hope my colleagues will join me in supporting this measure to expedite assistance under the Rural Development Act.

By Mr. INOUYE:

S. 3466. A bill to provide for the conveyance of the island of Kahoolawe to the State of Hawaii, and for other purposes. Referred to the Committee on Armed Services.

Mr. INOUYE. Mr. President, Kahoolawe is the smallest island of the eight

major Hawaiian islands. It is approximately 45 miles square and is located approximately 8 miles off the coast of the island of Maui.

Kahoolawe is also the site of an aerial bombing target and a shore bombardment area. In many respects it is similar to Culebra, which was the subject of Senate debate in previous sessions of Congress. In fact, as a result of the activities conducted by the Navy, Kahoolawe has the dubious distinction of being one of the most bombed islands in the Pacific.

While it is true that there are other areas within the territorial boundaries of the United States used for similar purposes, Kahoolawe is different from these locales. The State of Hawaii retains residual rights over Kahoolawe since it had formerly owned the island, subject only to "temporary" military exigencies enumerated in the Executive order reserving use of the island to the U.S. Government. Furthermore, Kahoolawe is located near populated areas on the island of Maui, and the people of Maui have long complained of the effects of aerial and shore bombardment. Finally, Kahoolawe was once usable for other purposes. It is now rapidly being destroyed and rendered unfit for human habitation. This erosion is an unforgivable waste of resources in a State where land is at a premium.

The Island of Kahoolawe is an integral part of the Hawaiian Archipelago and has always been considered so in the past. Unlike the other major islands, Kahoolawe is presently uninhabited. As a result of naval and air bombardment, the State of Hawaii is currently deprived of Kahoolawe's scenic resources and agricultural space.

However, Kahoolawe has uses other than as a target for aerial and naval bombardment. There still is potential for development as a resort area, with its beaches, valleys, cliffs, and ravines. It was previously used for ranching, and there is reason to believe that the island can again be used for this purpose with proper care. It has also been proposed that Kahoolawe be utilized as a site for a central thermonuclear powerplant and aqua cultural development. At least one company has expressed great interest in conducting a salvage operation on the island to recover casings and unexploded ordnance.

Mr. President, I am reviewing these facts at length in response to the oftenmade Navy allegation that the island is a "hell hole," unfit for any use except for target practice. It is true that it is becoming unfit for anything except bombardment unless we reverse Navy policies of neglect and destruction.

Kahoolawe was not always the victim of defense demands. Through most of our history as a territory, Kahoolawe was owned by the territorial government and leased to private parties for grazing. In 1919 and again in 1933, the territory leased most of the island to a private ranch. In 1940, the Navy obtained a sublease to the island. Then in 1952 the original lease was canceled by the territory. In 1953 the area that was not being used for a lighthouse, which was already Federal property, was taken by the United States under the controversial Presidential Executive Order 10436.

Under the terms of the Executive order, when the Navy decided that the area was no longer needed, the island would be rendered reasonably safe for human habitation without cost to Hawaii and returned to the latter's jurisdiction. Moreover, the Navy was to either eradicate all goats from the island or strictly control their number. Finally, the Navy was to permit the then territory to enter and inspect the island and take appropriate measures to conduct a program of soil conservation.

What has happened in the years since the Navy secured control of the island? Kahoolawe is rapidly deteriorating due to the Navy's bombardment and the stripping away the natural covering by wild goats. In an era of environmental concern, Kahoolawe stands as mute testimony to the failure of the Federal Government to practice what it preaches. Soon, between the animals and the Navy, Hawaii will be left with nothing except outcroppings of rock from the Pacific.

Kahoolawe was and remains an integral part of Hawaii. Under the terms of the Admission Act, all lands reserved to the United States remained Federal property. However, the Executive order reserved only use, and the order's drafters clearly foresaw eventual return to the State. Thus title remains vested in Hawaii, which has granted the Federal Government use of the island.

The people of Hawaii have shown remarkably good faith and tolerance for the Navy's activities. We have recognized the fact that security requirements can demand a sacrifice on our part. However, the limits of our tolerance have long been exceeded, and the Navy has failed to prove that our defense posture will be undermined by the cessation of the bombardment of Kahoolawe.

Aside from the actual physical ruin of Kahoolawe itself, which is proceeding apace, the bombing constitutes a serious danger to the people of Maui. In September 1969 unexploded ordnance was discovered buried in the pasture of the mayor of the county of Maui. After an investigation, the Navy determined that the bomb had been dropped in 1966 but was in no danger of detonating.

However, this has not been the only incident. Residents have often complained about the noise from aircraft utilizing Kahoolawe. Because the population of Maui is expanding and the use of Kahoolawe is very heavy, the odds of an accidental bombing of Maui are very high. In the interest of the safety and comfort of the citizens of Maui, the policies of the Navy must be reversed.

For several years I have been concerned about the dangers presented by the Navy's bombing of Kahoolawe. I have made several discreet inquiries with the Navy to reach an accommodation that would insure the safety of Hawaii's citizens while meeting any national security needs. Unfortunately, these efforts have been fruitless.

In a letter to me dated December 11, 1969, Rear Adm. D. C. Davis, commander, Hawaiian Sea Frontier, reached the following conclusions: First, he stated that the Navy has taken and will take all possible precautions to prevent undue harassment of the citizens of Maui because of the bombardment.

Second, he alleged that—

> The ravages of over a quarter of a century of air and surface bombardment have probably irrevocably eliminated the possibility of future safe, domestic use of the island.

He continued:

> This element has not been realistically faced in years past.

In his response to my inquiry, Admiral Davis added:

> The time has come to inform the local public that Kahoolawe should remain for the indefinite future an uninhabited monument to the requirements of our national security.

Admiral Davis should be commended for his frankness in stating that Navy utilization has rendered Kahoolawe barren and useless, but this candor was long overdue. I cannot believe that this discovery was suddenly made in 1969 only at my urging. Where was this candor during the previous 29 years of Navy use?

The Navy has claimed that there are no alternate sites available, but no one in the civilian sector really knows what efforts have been made to locate a less objectionable location. In fact the Navy already uses the uninhabited island of Kaula, which is farther away from population centers and which is totally useless for any future development.

Furthermore, Mr. President, what are the people of Hawaii to make of the Executive order which promised to return Kahoolawe to the State after it was no longer required and to provide conservation programs for the island? The Navy Department obviously is saying in effect that it may some day return this ravaged "uninhabited monument" after its renders it sterile, but there is no indication when, if ever, we can expect this action.

We hear much about the credibility gap, and it is precisely this kind of callous disregard for the safety of civilians that contributes to the growing alienation of civilians from the Armed Forces. Regrettably this is not the only instance or example of indifference which the Navy has exhibited toward the interests of the citizens of Hawaii. Prior to dropping its lease in 1970, it also insisted on using the South Kona bombing range, which lies adjacent to the fishing village of Milolii located on the Island of Hawaii. Even if we were to assume—which I am not—that Kahoolawe were absolutely necessary to the defense requirements of our country, the Navy should have consolidated its training by restricting aerial bombardment to Kahoolawe. However, it obstinately refused to take this sensible step.

Througout this entire episode, the Navy has been extremely evasive in facing its responsibilities to the people of Hawaii. Nothing has contributed more to the deteriorating confidence in the Navy than its stubbornness. Indeed, some of Hawaii's citizens feel that its response has been the "height of arrogance."

Therefore, I today reintroduce a bill that would require the Department of the Navy to convey the Island of Kahoolawe to the State of Hawaii by the end of the current calendar year. The bill also authorizes the expenditure of necessary

funds in fiscal year 1975 to help clear the island surface of an estimated 10,000 tons of unexploded ordnance.

Mr. President, the people of Hawaii have been patient with the Navy's use of Kahoolawe for 34 years, but that patience has worn thin. I believe that we are entitled to a return of this land, which is so greatly limited in Hawaii, and to security in our homes. I strongly urge that Congress pass this bill as soon as possible.

By Mr. DOMENICI (for himself, Mr. BENNETT, and Mr. Moss):

S. 3467. A bill to amend the Mining and Minerals Policy Act of 1970, and for other purposes. Referred to the Committee on Interior and Insular Affairs.

Mr. DOMENICI. Mr. President, I rise today to introduce legislation to amend the Mining and Minerals Policy Act of 1970.

I believe that many of my colleagues will recall when the Mining and Minerals Policy Act was considered by the Senate and subsequently became Public Law 91-631. This legislation was first introduced in the Senate by a former Member of this body, Gordon Allott, and it had wide bipartisan support, in fact, many Senators present today cosponsored the measure. I believe that this act has fulfilled a basic need. That need being—to alert the Congress to the fact that development of domestic mineral resources is not keeping pace with domestic demand, with unfortunate effects upon the entire economy.

The Mining and Minerals Policy Act is a simple statement of policy which declares:

The Congress declares that it is the continuing policy of the Federal Government in the National interest to foster and encourage private enterprise in (1) the development of economically sound and stable domestic mining, minerals, metal and mineral reclamation industries; (2) the orderly and economic development of domestic mineral resources, reserves, and reclamation of metals and minerals to help assure satisfaction of industrial, security and environmental needs; (3) mining, mineral, and metallurgical research, including the use and recycling of scrap to promote the wise and efficient use of our natural and reclaimable mineral resources; and (4) the study and development of methods for the disposal, control, and reclamation of mineral waste products, and the reclamation of mined land, so as to lessen any adverse impact of mineral extraction and processing upon the physical environment that may result from mining and mineral activities.

This statement of policy is a good beginning. However, it does not provide the means to bring about "the development of economically sound and stable domestic mining, minerals, metal, and mineral reclamation industries."

Mr. President, I would like to bring to the attention of the Senate the April 29, 1974, Comptroller General's report to the Congress concerning "U.S. Actions Needed To Cope With Commodity Shortages." On page 142, the report addresses policy planning requirements for energy and nonenergy minerals. This section begins by pointing out that policy planning in the minerals area are similar to those associated with agriculture. It states in part:

Despite recent organizational and policy initiatives, neither area is currently approached with adequate institutional frameworks.

The Secretary of Interior's second annual report under the Mining and Minerals Act, points out the following problem:

The U.S. Government information base for the conduct of its mineral responsibilities is grossly inadequate.

The solution which is recommended in the report is:

Government organization must be improved and streamlined, and cooperative measures must be developed so that information available in the public and private sectors can be brought to bear properly upon questions of concern to all.

Mr. President, the bill which I introduce today will establish a council which will provide a single government organization as an information base so that data available in the public and private sectors can be brought to bear properly upon questions of concern to all.

The council will be responsible for coordinating the policy spelled out in the Mining and Minerals Policy Act so that the American people will have a clear understanding of where this Nation stands in the development of domestic mineral resources.

The bill establishes an organization to provide a factual basis for the formulation and implementation of laws, regulations, and policies on the mining industry.

Mr. President, many economists, exploration engineers, and geologists have stressed their concern with our dwindling resources over the past 20 years. Most of these expressions of concern have fallen on deaf ears, even though government experts now predict that the United States could depend on imports for as much as half of its supplies of basic raw materials by 1985.

A recent report from the Joint Committee on Defense Production reveals that since 1940 the United States has consumed an estimated $260 billion worth of minerals—about equal to the amount used by the entire world in all history before 1940.

The United States must begin now to follow a national policy to meet the growing needs for minerals and we must have an equilibrium between supply and demand. The American public must be made aware of its critical dependence on minerals and of the major difficulties of maintaining adequate supplies.

Mr. President, I believe that if my bill is enacted, it will bring into focus the need for development of an economically sound and stable domestic mining industry and will help to stimulate domestic production.

By Mr. SPARKMAN (by request):

S. 3468. A bill to provide expanded support for scholarly, cultural, and artistic exchange programs between Japan and the United States, and for other purposes. Referred to the Committee on Foreign Relations.

JAPAN-UNITED STATES FRIENDSHIP ACT OF 1974

Mr. SPARKMAN. Mr. President, by request I introduce for appropriate reference a bill to provide expanded support for scholarly, cultural, and artistic exchange programs between Japan and the United States, and for other purposes—Japan-United States Friendship Act of 1974.

The bill has been requested by the Department of State and I am introducing it in order that there may be a specific bill to which Members of the Senate and the public may direct their attention and comments.

I reserve my right to support or oppose this bill, as well as any suggested amendments to it, when it is considered by the Committee on Foreign Relations.

I ask unanimous consent that the bill be printed in the RECORD at this point, together with the letter from the Assistant Secretary of State for Congressional Relations to the President of the Senate dated May 2, 1974.

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

S. 3468

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Section and Sections 2 and 3 of this Act may be cited as the "Japan-United States Friendship Act of 1974".

SEC. 2. The Mutual Educational and Cultural Exchange Act of 1961, as amended, is further amended by adding thereto a new subsection 105(h) to read as follows:

"(h)(1) The Congress hereby finds and declares—

(A) that the evolution of the relationship between Japan and the United States from wartime bitterness to peacetime friendship and partnership is one of the most significant developments of the postwar period;

(B) that the continuation of close United States-Japan friendship and cooperation will make a vital contribution to the prospects for peace, prosperity, and security in Asia and the world;

(C) that an improved understanding between Japan and the United States of the differences in their history, social tradition, cultural background and language is highly important to this friendship and cooperation;

(D) that the steady expansion of close relations at all levels between the United States and Japan calls for a substantially increased commitment by both nations to reduce progressively such differences and to achieve the harmony that our two peoples desire;

(E) that the need for such a commitment has been recognized by the two Governments, most recently in the Joint Communique by President Nixon and Prime Minister Tanaka at Washington on August 1, 1973;

(F) that there are available in the United States accounts in Japan, funds transferred by the Government of Japan to the United States pursuant to United States request made under Article V of the Agreement between the United States of America and Japan concerning the Settlement of Post-War Economic Assistance signed at Tokyo January 9, 1962 and the Exchange of Notes of the same date (13 U.S.T. 1957; T.I.A.S. 5154), which may be used only for educational and cultural exchange between the United States and Japan, subject to the availability of appropriations; and

(G) that it is the purpose of this Act to expand United States support for scholarly, cultural and artistic exchange programs with Japan, by providing a full commitment of the aforesaid available funds and by encouraging a new initiative by Government and private citizens to supplement the existing program for Japan, in order to facilitate the continued growth of the aforesaid relationships of peace, friendship, partnership, cooperation and mutual understanding.

(2) There is authorized to be appropriated, to remain available until expended, the re-

maining amount, as of the date of enactment of this amendment, of those funds referred to in paragraph (1)(F) of this subsection, excepting such amounts as may be required by law to be applied to United States participation in the International Ocean Exposition to be held at Okinawa, Japan, to be used for educational and cultural exchange programs and other activities authorized in subsections 102 (a) and (b), in relation to Japan and the people of Japan.

SEC. 3. The Mutual Educational and Cultural Exchange Act of 1961, as amended, is further amended by adding thereto a new subsection 106(g) to read as follows:

"(g)(1) There is established a Commission to be known as the Japan-United States Friendship Commission (hereinafter referred to as the "Friendship Commission"). The Friendship Commission shall advise the President regarding policies on the use of the funds authorized to be appropriated under subsection 105(h)(2). The Friendship Commission shall appraise the effectiveness of policies and programs carried out in the use of the funds. The Friendship Commission shall be composed of sixteen members, as follows:

(A) four members appointed by the President of the United States from the executive branch of the Government;

(B) two appointed by the President of the Senate, who shall be members of the Senate;

(C) two appointed by the Speaker of the House of Representatives, who shall be members of the House; and

(D) eight members appointed by the President from private life, representing such areas as charitable foundations (public and private non-profit), the professions, the business world, the mass media, the arts and institutions of higher learning.

(E) Any vacancy in the Friendship Commission shall be filled in the same manner in which the original appointment was made. Reappointment shall be permissible.

(2) The term of office of the members of the Friendship Commission shall be three years, except that (a) four members from private life first appointed shall serve as designated by the President for terms of two years and (b) any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor is appointed shall be appointed for the remainder of such term.

(3) The President shall appoint one of the members Chairman.

(4) Members of the Friendship Commission may also serve concurrently as members of the United States Panel constituted under the Agreement between the United States of America and Japan on the Joint Committee on Cultural and Educational Cooperation effected by exchange of notes signed at Tokyo November 8, 1968 (10 U.S.T. 7549; T.I.A.S. 6597).

(5) The Friendship Commission shall submit to the Secretary of State for transmission to the President an annual report of its activities.

(6) In the performance of its activities the Friendship Commission shall consult with the Commission established pursuant to subsection 106(b).

(7) The Friendship Commission shall be considered a committee provided for in, or created under, this section for the purposes of subsection 106(e) and (f).

(8) The Friendship Commission shall submit a final report of its activities and shall cease to exist on the thirtieth day after the end of the fiscal year in which the final amount of funds authorized to be appropriated under subsection 105(h)(2) is expended.

SEC. 4. The Mutual Educational and Cultural Exchange Act of 1961, as amended, is further amended by striking out "at rates not in excess of $50 per diem" in Section 106(e) and inserting in lieu thereof "at a rate not in excess of the rate specified for GS–18 of the General Schedule under 5 U.S.C. 5332."

DEPARTMENT OF STATE,
Washington, D.C., May 2, 1974.

Hon. GERALD R. FORD,
President of the Senate,
U.S. Senate.

DEAR MR. PRESIDENT: In accordance with intentions expressed by the President of the United States and the Prime Minister of Japan in the Joint Communique of August 1, 1973, the Department of State has prepared a draft of proposed legislation to amend the Mutual Educational and Cultural Exchange Act of 1961, as amended (MECEA).

This legislation would authorize the use of funds remaining under the Agreement between Japan and the United States of America concerning the Settlement of Post War Economic Assistance (GARIOA) to strengthen and expand educational and cultural exchange between the United States and Japan. It would also establish a Japan-United States Friendship Commission to advise the President regarding policies on the use of these funds. The proposed legislation would be cited as the "Japan-United States Friendship Act of 1974".

The Japan-United States Friendship Act, as proposed, would provide the opportunity for the effective utilization of GARIOA funds through the development of new program activities to supplement regular MECEA programs with Japan. The current yen/dollar parity establishes the value of the GARIOA fund at approximately $17,253,000. Now under Congressional consideration, however, is a proposal for the United States Information Agency to use $2.5 million of the GARIOA funds for U.S. participation in the International Ocean Exposition to be held at Okinawa. Enactment of that proposal would reduce the amount of funds available for the Japan-United States Friendship Program by the same amount. The Department anticipates that the remaining available funds would cover ten years of program activity at the annual levels required for the new Japan-United States Friendship Program.

The Japan-United States Friendship Commission would advise the President regarding policies on the use of the funds authorized to be appropriated by the proposed legislation which would increase United States support for scholarly, cultural and artistic exchange with Japan, and would evaluate the effectiveness of these policies and programs. The Commission would be composed of sixteen members, as follows: (a) four members appointed by the President from the Executive branch; (b) two appointed by the President of the Senate from the Senate; (c) two appointed by the Speaker of the House of Representatives from the House; and (d) eight members appointed by the President from private life. Appointments to the Commission would be for terms of three years. The Commission would cease to exist 30 days after the end of the fiscal year in which the final amount of GARIOA funds is expended.

The proposed bill further provides that members of the Commission may serve concurrently as members of the American Panel of the Joint Committee on Cultural and Educational Cooperation with Japan (CULCON). This Joint Committee, as established by exchange of notes between Japan and the United States on November 8, 1968, is composed of national panels of Japanese and American members. These panels serve to conduct a constant review of activities concerning cultural and educational relations between the two countries and to make recommendations for new initiatives and fields of cultural and educational activities. The Commission members would also be expected to cooperate closely with private American academic and cultural institutions as well as with the National Endowments for the Arts and the Humanities.

The Commission would be charged with a periodic review of the entire range of cultural and informal communications relationships between Japan and the United States, emphasizing progress being made and requirements still wanting, with recommendations for new approaches and programs. The Department believes that such a review would provide important data to support and assist the formulation of foreign policy goals vis-a-vis Japan.

The Commission program would not duplicate the regular MECEA program or any other government programs. In brief, the regular MECEA program would direct its major attention to issues of mutual short-range concern in the social sciences, economics, international relations, urban development, and other areas, including short-term observation grants, while the Commission would initiate longer range programs directed at the more fundamental aspects of cross-cultural appreciation and understanding between the two societies. Greater emphasis would be placed on improving study about the United States in Japan by assisting Japanese organizations and institutions that have a similar goal. The program would also emphasize mutual appreciation and understanding of literature, drama, fine arts and other cultural aspects of both countries through joint study and translations. In addition, it would support broader projects for American understanding of Japanese cultural traditions, and vice versa, through the mass media, the arts, including films, and the humanities.

In view of the fact that compensation rates for members of the Board, Commissions and Committees under the MECEA have not been changed since 1961, the Department of State has included an additional section in the proposed legislation that would amend the MECEA and set such compensation at a daily rate equivalent to that specified for GS–18 of the General Schedule under 5 U.S.C. 5332.

The Office of Management and Budget advises that enactment of this legislation would be in accord with the program of the President.

A draft of the proposed legislation is enclosed.

Sincerely yours,

LINWOOD HOLTON,
Assistant Secretary for Congressional Relations.

By Mr. PACKWOOD (for himself and Mr. GRAVEL):

S. 3469. A bill to amend the Internal Revenue Code of 1954 to provide for the adjustment of the individual income tax tables, the standard deduction, and the personal exemption deduction when necessary to reflect inflation. Referred to the Committee on Finance.

Mr. PACKWOOD. Mr. President, on behalf of Senator GRAVEL and myself, I am introducing the Inflation Adjustment Tax Act.

Under present law, the Government benefits under the tax system from the system of inflation that they are the principle cause of. As an individual's income rises, the increase is largely due to inflation adjusters built into labor contracts or other employment agreements. To allow the Government to benefit from these "inflation" increases is simply unfair. It is estimated that this failure to compensate for inflation in the tax laws yields a so-called fiscal dividend of $4 billion annually to the Federal Government.

The idea of the tax inflation adjuster is quite simple. Each year, the Government figures what the rate of inflation

was the year before. The present personal exemption and the standard deduction would then each be multiplied by that factor and increased accordingly. For example, if the tax inflation adjuster were in the law today, the personal exemption would be $810 this year instead of the statutory $750. Likewise, the percentage standard deduction would increase from $2,000 to $2,160.

With the tax inflation adjuster in place, it is estimated that the Government would simply have to forgo $2.7 billion in tax money. This is money that will stay in your pockets to help each of you cope with the effect of inflation.

Also it should be pointed out that the tax inflation adjuster will have a substantial and beneficial side effect in terms of simplification. With this change in the law, 1.6 million of the 29 million taxpayers who presently itemize will now elect to use the percentage standard deduction. Because the adjuster will be felt the most in the lower income brackets, a total of 1.7 million taxpayers will be rendered nontaxable.

Finally, the effect of the adjuster will be progressive as the lowest tax bracket will experience a 31.4 percent reduction in taxes, with the highest bracket having only a two-tenths of 1 percent tax decrease.

I ask unanimous consent that a table outlining the impact of my proposal on various income groups be printed along with the text of the Inflation Adjustment Tax Act at this point in the RECORD.

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

S. 3469

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Inflation Adjustment Tax Act".

(b)(1) At the beginning of the fourth calendar quarter of each calendar year (commencing in 1974), as necessary data become available from the Bureau of Labor Statistics of the Department of Labor, the Secretary of Labor shall certify to the Secretary of the Treasury and publish in the Federal Register the percentage difference between the price index for the 12 months preceding the beginning of such calendar quarter and the price index for the base period.

(2) For purposes of paragraph (1), the term—

(A) "price index" means the average over a 12-month period of the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics;

(B) "base period" means the 12-month period beginning October 1, 1972, and ending September 30, 1973.

SEC. 2. (a) STANDARD DEDUCTION.—Section 141 of the Internal Revenue Code of 1954 (relating to standard deduction) is amended by adding at the end thereof the following new subsection:

"(f) ADJUSTMENT FOR INFLATION.—Upon receiving a certification from the Secretary of Labor under the first section of the Inflation Adjustment Tax Act, the Secretary or his delegate shall change each dollar amount set forth in this section by the amount of the percentage change certified to him by the Secretary of Labor. The amount as changed by the Secretary or his delegate shall be the amount in effect for the calendar year during which such certification is received and shall remain in effect until changed by the Secretary or his delegate under this subsection.".

(b) PERSONAL EXEMPTIONS.—Section 151 of such Code (relating to allowance of deductions for personal exemptions) is amended by adding at the end thereof the following new subsection:

"(f) ADJUSTMENT FOR INFLATION.—Upon receiving a certification from the Secretary of Labor under the first section of the Inflation Adjustment Tax Act, the Secretary or his delegate shall change each dollar amount set forth in this subsection by the amount of the percentage change certified to him by the Secretary of Labor. The amount as changed by the Secretary or his delegate shall be the amount in effect for the calendar year during which such certification is received and shall remain in effect until changed by the Secretary or his delegate under this subsection.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1973.

EFFECT OF PACKWOOD PROPOSAL ON VARIOUS INCOME GROUPS

Adjusted gross income class (thousands)	Total tax payments (millions) Under present law	Packwood proposal	Percent reduction
0 to $3	$210	$144	31.4
$3 to $5	1,754	1,530	12.8
$5 to $7	3,980	3,679	7.6
$7 to $10	9,629	9,156	4.9
$10 to $15	20,125	19,447	3.4
$15 to $20	16,272	15,810	2.8
$20 to $50	23,205	22,821	1.7
$50 to $100	8,018	7,964	.7
$100 and over	7,825	7,811	.2
Total	91,018	88,362	2.9

Source: U.S. Department of the Treasury, Office of Tax Analysis.

By Mr. BROCK:

S. 3470. A bill to amend the Interstate Commerce Act in order to promote consumer interests in transportation. Referred to the Committee on Commerce.

Mr. BROCK. Mr. President, I am introducing today a piece of legislation which is designed to improve the efficiency and effectiveness of our Nation's transportation system. It does that by attempting to cut through the maze of regulations and restrictions within which our system freight transport now operates. I support the administration's Transportation Improvement Act as a modest forward step, but I do feel we should give much greater consideration to broadening and widening the movement toward deregulation and competition than the act represents.

The unassailable fact, Mr. President, is that our present regulatory structure developed and grew up in times very different from our own. It is now unfitted to modern conditions, so unfitted that we are paying at conservative estimates $3.7 billion a year in terms of misallocated resources, while higher figures range as high as $8 billion a year.

I ask unanimous consent that at this point a table of estimates of economic loss from regulation be included in the RECORD developed by Prof. Thomas Gale Moore.

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

ESTIMATES OF THE ECONOMIC LOSS FROM ICC REGULATION IN 1968

[In millions of dollars]

Type of loss	Low	Medium	High
Inefficient use of:			
Common carrier trucks	1,400	1,690	1,890
Private trucks	100	200	1,000
Rails	1,700	2,000	2,400
Water carriers	200	300	+300
Subtotal	3,400	4,190	5,590
Loss of traffic carried by:			
Trucks instead of rails	200	1,100	2,900
Water carriers instead of rails	(1)	(1)	(1)
Loss from traffic not carried	175	300	400
Total estimated	3,775	5,590	8,790

1 Not estimated. Source: Moore, "The Feasibility of Deregulating Surface Freight Transportation," (Washington, D.C.: Brookings Institution).

Mr. BROCK. These are not academic matters, but affect every one of us. The Department of Transportation itself estimates that transportation costs add 5 to 15 percent of the cost of all consumer goods, for example, $200 on a $3,000 car; $3,600 on a $30,000 house. But because of our present regulatory structure, and the inefficiencies which result from it, these costs are much higher than they should be.

A loss of $3.7 to $8 billion a year—and this is at 1968 price levels—means that each of us is, on average, paying $15 to $50 a year extra, or between $60 and $200 for a family of four. Since we all bear this cost we can think of it as much the same as a value added tax—but an unnecessary one. Aside from the direct cost to the consume this burden automatically limits our international competitiveness and thus has in the long run even further negative effects on the Nation's prosperity.

The public also pays in the form of deteriorating service from certain classes of carriers. This is why the bill is entitled "the Consumer Interests Transportation Act"—because it is the consumer which eventually pays for our present inefficiencies and it would be the consumer who would benefit from an improved transportation network.

Let us examine the act in some detail. The first section is designed to reduce the cartel aspects of carrier ratemaking by:

First, protecting individual action;

Second, not allowing single line rates to be affected by group ratemaking bodies, and

Third, by not allowing the rate bureau to oppose an independent action by one of its members at an ICC hearing.

Rate bureaus act collectively in establishing rates and are specifically exempted from antitrust laws. Thus, although their impact has not been totally negative, by their very nature they are inimical to competition and discourage flexibility in ratemaking. Although no carrier is specifically bound to support rate agreements reached in the bureaus, independent action is very uncommon with the result that rates tend to be propped up, above the levels of the more efficient carriers to protect the less efficient. The extra costs, of course, are passed on to the consumer. As Mr. Charles A. Washer, speaking on behalf of

the American Retail Federation put in 1972:

> From sad experience, retailers have learned that it is the rate bureaus that destroy rate competitiveness among like carriers and which have made a mockery of the so-called right of independent action.

Section 103 deals with the question of rate levels and flexibility in ratemaking. It establishes the long-run marginal cost of operating a service as the floor below which rates for that service should not fall. This section has two basic thrusts. One, it would prohibit the ICC from requiring any rate below this level. One of the difficulties that the Nation's railroads have faced is their hauling of certain products at a rate which is simply not compensatory—on which they are losing money. The ICC has attempted to make up for this by keeping rates artificially high on other products.

Thus, one has a system of inflexibility on the one hand and uneconomical rates on the other all bound together in an increasingly complex fashion. The answer to this is not to attempt to tinker around any more, but to significantly free up appropriate market mechanisms.

Thus, the second thrust would be to allow carriers to price at the level best suited to the market. The ICC could not prevent a rate from going into effect on the grounds that it is unreasonable, if that rate is above the "marginal cost" floor. A rate would be prohibited as "unreasonable" only if it is below this level.

On the question of maximum rates, too, the direction is toward freeing up the market and allowing maximum flexibility. In fact, maximum rates would only be subject to regulation or conditions where competition is deemed insufficient. Where the ICC determines that, in serving a defined user or group of users, there does exist a level of competition both in or between transportation modes sufficient to control and restrain unreasonable rates, then it shall have no further obligation to regulate maximum rates. The market would do the regulating. Of course, should this situation change or further relevant information become available, then the ICC can step in again, but the principle is that regulation should be the exception when the forces of competition are not working properly and not the rigid rule under all circumstances.

Title I concludes with provisions to modernize the accounting measures of the ICC—to develop a uniform system of accounts applicable to any class of carriers so that proper comparison between modes can be made. This would also relate to standards for abandonment of facilities.

Title II, section 201 deals with the question of efficient integrated intermodal service.

At best, the present situation is contradictory with airlines being permitted interests in surface carriers while the ICC has interpreted certain provisions of the Interstate Commerce Act in such a manner as to restrict close railroad integration with trucking. As far as the railroads are concerned, these constraints have contributed another obstacle to flexibility in operation and particularly to the adoption of the full potential of containerization. Unlike a number of other countries which have a swift and efficient integrated system of container pick-up and delivery, using rail and truck to their best advantage, we do not.

The "Railroad Productivity Study" drew specific attention to the fact that—

First. Loss of direct control over the container's movement lowers equipment utilization and the speed and reliability of deliveries. Motor carriers may be tempted to dispatch drivers to handle this traffic only after their own through traffic has been served. This is especially likely if the rail line is in competition with long-haul truck service and the truck carrier knows that the railroad has no alternative.

Second. This forced reliance on motor carriers to provide pick-ups and delivery also puts the railroads at a disadvantage in bargaining on rate division and interchange agreements applicable to intermodal shipments. All in all, it has discouraged the substitution of modern container and piggyback operation for older conventional service and has also contributed to the excessive decentralization of piggyback terminals.

The Canadian experience in this regard, since the passage of their Transportation Act in 1967 has been a positive one reducing paperwork, inflexibility, and rates for a number of commodities. Such companies, of course, would be subject to antitrust laws in an excessive monopoly situation.

Again, instead of trying to rely on a clumsy system of regulation which has not worked, we would rely on competition and enforcement of antitrust laws to prevent monopoly position.

Section 202 would require the ICC within 2 years to develop new regulations to aid explicit consideration of any cost and rate advantages to be gained from the granting of an application.

Particularly important in this section, however, is the provision that the ICC could not deny an application for operating rights solely on the grounds that existing carriers already provide enough capacity. It may seem strange, indeed, that one would have to legislatively mandate such an outlook but we seem to have almost reached the point where we now consider competition in transportation to be against the public interest. And there is a vast body of persuasive evidence to show that the ICC, in the guise of fostering sound economic conditions in the industry, has protected existing carriers from the rigors of competition and thus guaranteed them an untroubled business environment. It is impossible for us to pretend that these sort of restrictions are in the public interest, and they would be curtailed by this measure.

With the same concern for competition, section 203 mandates the ICC to examine the existing situation as regards regulated operations and determine what factors presently inhibit flexible efficient and economical operation. The ICC would thereafter, in its annual statement to Congress, report on the state of the certificate situation and any discernible effects it has on service so that we can constantly monitor our process toward maximum competition and efficiency. With the new accounting system we also should be much more aware of the full costs of any restrictions in the granting of certificates.

Sections 204 and 205 address themselves to the problems of present inflexibility in regulation by both reducing entry barriers to regulated trucking and modernizing the requirements for contract carriage. In the former case the restriction would be relaxed so as to minimize the difficulties of providing service quickly in areas of immediate need and to make it easier to obtain temporary authority. This is especially important, of course, when viewed in the context of eased procedures for railroad abandonments. As regards contract carriages section 205 would assure that requirements be no stricter than those required of common carriers—a move that would increase flexibility for these groups. This section also insures that any such terms will not impose substantial empty truck movement on the operator—an aspect of our present system which is especially wasteful of time and energy.

In the same vein, section 206 is specifically oriented toward curtailing the waste inherent in ICC regulations regarding backhauls. As I have pointed out to the Senate before, few of the general public realize I am sure, that the ICC can forbid a truck from returning with a full load to its point of origin unless its authority covers that load.

Thus, a trucker could move a particular product out of a State, but often moves back empty part or all of the way, because although loads may be available, he may not be allowed to carry them. This is so wasteful, it sometimes verges on the absurd. It is also a tremendously inefficient way of moving freight, and so this section is designed specifically "for the purpose of avoiding empty movement, light loading, or inefficient use of vehicles."

Section 301, railroad abandonment: The third title focuses on the issue of railroad abandonment and railroad profitability. It basically says two things. Let us allow easier abandonment of uneconomic track, but also recognize that precipitous abandonment of track can have significant impact on communities and particular industries and that there may be very sound reason for subsidizing that line. The bill will allow State or local government or shippers to take over the losses incurred by the line. But as an aid in the transition from one set of economic conditions to another, the bill authorizes a phased out program of Federal support.

The Federal Government will take up 70 percent of the subsidy pay for the first year, 50 percent the second, and 30 percent the third. After that time further legislation would be necessary to continue Federal support. I personally feel that—after that period—the costs should by and large be borne by a level of government other than the Federal—as the State of Maryland, for example, does now, but such matters should be decided then after a full review of the facts of each case.

As part of the knowledge needed for accurate decisionmaking, each railroad shall prepare and file with the commis-

sion a diagram of its system describing in particular those rail lines on which revenues have not covered the relevant variable costs for the year prior to filing.

Thus, Mr. President, we can see that taken together, the bill involves a significant movement toward increasing competition in and between transportation modes and a decreasing emphasis on regulation. By allowing the forces of the market to operate, we can reduce the present misallocation of resources in transportation and, at a reduced cost to the consumer, provide an improved service. The provisions regarding railroad abandonment, while increasing flexibility for the railroad, also recognized the potentially high social cost of the change over from one set of economic conditions to another.

Unfortunately, it is also true that despite the large number of official reports and studies which have advocated deregulation, including the 1955 Weeks Report, the 1960 Mueller Report, the 1961 Doyle Report, and most recently the Ash Report, all of which recommended deregulation, there remain a number of perennial objections which are always raised. I would like to conclude by addressing just a few of them and summarizing the evidence in favor of relaxed regulation from other countries and the United States itself.

In Britain, regulation of the trucking industry has been relaxed in small incremental stages, but lower costs, lower rates, and better service have resulted. Canada provides an even better example, for regulation varies from province to province. Those with the strictest regulation have had the highest rate for trucking and less efficient operations, while provinces with essentially unregulated activities have had lower rates, greater efficiency, and at least as good service. Also "chaos" has certainly not transpired from deregulation—a genie opponents of that policy in this country always conjure up.

Australia offers virtually a full-scale test of deregulation. A transition period was noticeable but today the industry is stable and profitable with competitive wages, free entry and exit, and good service with shippers having a wide choice between fixed schedules at higher rates and more flexible schedules at lower rates. Again, no "chaos" has resulted.

Even our own experience in the United States offers positive evidence of the potential benefits—and one should point out that if foreign experience is not appropriate to the United States we should expect those instances of deregulation here to produce different results. Instead we can see that when unprocessed agricultural commodities in the United States were exempted from regulation, rates dropped between 10 and 30 percent and service improved with profitable operation. An even more graphic example is the case of processed chickens for which rates fell and service improved when regulation was lifted, and "reregulated" rates increased and service declined.

All in all, therefore, I feel the case has been made for, at the very least, a movement toward those goals. My bill contains measures which are essentially moderate and fall between the proponents of total deregulation on the one hand, and the "do nothings" on the other. I refuse to accept that the situation is so bad that although almost everyone recognizes that it is far from ideal, we are unable or incapable of improving it. That is a dead end which the American people would refuse to accept. We are supposed to act in the public interest and I most firmly believe that this measure would do so.

By Mr. STENNIS (for himself and Mr. THURMOND) (by request):

S. 3472. A bill to amend title 37, United States Code, to refine the procedures for adjustments in military compensation and for other purposes. Referred to the Committee on Armed Services.

Mr. STENNIS. Mr. President, by request, for myself and the senior Senator from South Carolina (Mr. THURMOND), I introduce, for appropriate reference, a bill to amend title 37, United States Code, to refine the procedures for adjustments in military compensation and for other purposes.

I ask unanimous consent that a letter of transmittal requesting consideration of the legislation and explaining its purpose be printed in the RECORD immediately following the listing of the bill.

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

S. 3472

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 1 of title 37, United States Code, is amended by amending section 101 as follows:

"(25) "Regular Compensation" or "Regular Military Compensation (RMC)" means the total of the following elements that a member of a uniformed service accrues or receives, directly or indirectly, in cash or in kind every payday: basic pay, basic allowance for quarters, basic allowance for subsistence, and Federal tax advantage accruing to the aforementioned allowances because they are not subject to Federal income tax."

SEC. 2. Chapter 3 of title 37, United States Code, is amended by amending section 203 (a) to read as follows:

"(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are those prescribed in accordance with section 1009 of this title."

SEC. 3. Chapter 7 of title 37, United States Code, is amended as follows:

(1) By amending section 402(a) to read as follows:

"(a) Except as otherwise provided by law, each member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for subsistence as set forth in this section."

(2) By amending the fourth sentence of section 402(b) to read as follows:

"The allowance for enlisted members who are on leave, or are otherwise authorized to mess separately, is at the rate prescribed in accordance with section 1009 of this title."

(3) By amending the first sentence of section 402(c) to read as follows:

"An officer of a uniformed service who is entitled to basic pay is, at all times, entitled to the basic allowance for subsistence at the monthly rate prescribed in accordance with section 1009 of this title."

(4) By amending section 402(d) by—

(A) inserting "described below" after "services"; and

(B) striking out the item relating to "Officers".

(5) By amending section 403(a) to read as follows:

"(a) Except as otherwise provided by law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the monthly rates prescribed in accordance with section 1009 of this title, according to the pay grade in which he is assigned or distributed for basic pay purposes."

SEC. 4. Chapter 19 of title 37, United States Code, is amended by adding the following new section after section 1008 and inserting a corresponding item in the chapter analysis:

"§ 1009. Adjustments of compensation

"(a) Whenever the General Schedule of compensation for Federal classified employees as contained in section 5332 of title 5, United States Code, is adjusted upwards, the President shall immediately make an upward adjustment in the—

"(1) monthly basic pay authorized members of the uniformed services by section 203(a) of this title;

"(2) basic allowance for subsistence authorized enlisted members on leave or otherwise authorized to mess separately, and officers, by section 402 of this title; and

"(3) basic allowance for quarters authorized members of the uniformed services by section 403(a) of this title.

"(b) An adjustment under this section shall have the force and effect of law and shall—

"(1) carry the same effective date as that applying to the compensation adjustments provided General Schedule employees;

"(2) be based on the rates of the various elements of compensation, as defined in, or made under, section 8 of the Act of December 16, 1967, Pub. L. 90–207 (81 Stat. 654), section 402 or 403 of this title, or this section; and

"(3) provide all eligible members with an increase in each element of compensation, set forth in subsection (a) of this section, which is of the same percentage as the overall average percentage increase in the General Schedule rates of basic pay for civilian employees."

SEC. 5. Until the effective date of the first upward adjustment in the rates of monthly basic pay for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates of monthly basic pay for members of the uniformed services authorized by section 203(a) of that title are those prescribed by Executive Order 11740 of October 3, 1973, which became effective on October 1, 1973.

SEC. 6. Until the effective date of the first upward adjustment in the rates of basic allowance for subsistence for enlisted members on leave or otherwise authorized to mess separately, and officers, made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates prescribed under section 402 of title 37, United States Code, as it existed on the date before the effective date of this Act, shall continue in effect.

SEC. 7. Until the effective date of the first adjustment in the rates of basic allowance for quarters for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 4, of this Act, after the effective date of this Act, the rates of basic allowance for quarters prescribed in section 403(a) of title 37, United States Code, as it existed on the day before the effective date of this Act, shall continue in effect.

SEC. 8. Section 8 of the Act of December 16, 1967, Pub. L. 90–207 (81 Stat. 654) is repealed.

SEC. 9. This Act is effective upon enactment.

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C. March 29, 1974.

Hon. GERALD R. FORD,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: This report on the adequacy of pays and allowances of the uniformed services is submitted in compliance with the provisions of section 1008(a) of title 37, United States Code. This section provides that the President shall direct a review of the adequacy of pays and allowances for members of the uniformed services, and shall submit to the Congress a detailed report summarizing the results of such an annual review together with any recommendations for adjustments in the rates of pays and allowances authorized under title 37, United States Code.

Section 1008(a) of title 37, United States Code was enacted in 1965. In 1967, the Congress modified the scope of its requirements with the passage of section 8 of Public Law 90–207. With this law, the Congress ensured that whenever the General Schedule of compensation for Federal classified employees is *adjusted* upwards, there shall immediately be placed in effect a comparable adjustment in the monthly basic pay authorized members of the uniformed services.

On October 1, 1973, Federal civilian employees were authorized a 4.77 percent pay increase. The operation of Public Law 90–207 initiated an equal increase in the regular compensation of the uniformed services. This increase, when allocated only to the basic pay element of regular compensation, translated to 6.16 percent. The cost of this pay raise will be $830 million for FY 74 (only for nine months) and $1,108 million for FY 75 (twelve months). The details of the computation of the October 1, 1973, increase are shown in attachment 1.

The Department of Defense submitted a legislative proposal with last year's annual report which would modify the current pay increase methodology expressed in Public Law 90–207. The proposal was introduced in Congress in September, 1973, as H.R. 10370. It was intended to maintain the quarters and subsistence allowances at a more reasonable relationship to the expenses they are supposed to defray while maintaining the matching increase mechanism embodied in existing law and reducing military personnel costs in future years.

Continued study has been given to this legislative proposal (H.R. 10370) since its submission. As a result we believe the intended purpose of the measure can be best achieved and desired equity ensured, by modification of the previously proposed legislation to specify the precise manner in which future matching military pay increases would be made.

Therefore, attached is proposed legislation which modifies last year's proposal (attachment 2). This proposal if enacted should ensure that both Defense and Congressional intents with regard to equitable pay increases for military personnel are achieved in the future. It would achieve the same objectives as last year's proposal, i.e., maintain matching increases to improve the credibility of the allowances, and reduce costs. The primary change is that it would ensure members of the uniformed services that future increases in their basic pay, basic allowance for subsistence, and basic allowance for quarters will be of the same percentage as the average increase received by Federal civilian employees. If enacted prior to the next general pay increase, a conservative estimate indicates that savings of more than $3 billion will accrue over the next five year period.

The estimated cost savings in the Department of Defense budget during next five fiscal years if the attached legislative proposal is enacted prior to October 1, 1974, are as follows:

Budget savings
[Dollars in millions]

Fiscal year 1975	160.6
Fiscal year 1976	365.4
Fiscal year 1977	582.5
Fiscal year 1978	821.0
Fiscal year 1979	1,085.4

The revised proposal has the full support of the Secretary of Defense. This proposal is a part of the Department of Defense legislative program for the 93rd Congress, and the Office of Management and Budget has advised that the enactment of the proposal would be in accord with the program of the President. It is recommended that the proposed legislation be enacted by the Congress.

There were other legislative proposals submitted during the past year designed to improve the capability of the Department of Defense to fulfill manpower requirements in the most cost effective manner. The annual review of the adequacy of pay and allowances is concluded with a brief discussion of these proposals.

The Uniformed Services Special Pay Act of 1973 was submitted to the Congress as promised in last year's report. Due to the complexity of this proposal and the urgent need for several of its entitlements, that proposal was subdivided and its three most critical provisions were submitted as two separate proposals. These proposals are: (1) "Armed Forces Enlisted Personnel Bonus Revision Act of 1974" (S. 2771), and (2) the Revision of the Special Pay Structure Relating to Medical Officers of the Uniformed Services (S. 2770) which provides for increased incentives for physicians. These two proposals were passed by the Senate in December, 1973, and reported by the House Armed Services Committee on March 1, 1974. Enactment will significantly improve the Department of Defense's ability to compete for required skills and manpower.

Legislation affecting flight pay was forwarded to Congress in May, 1973, and was passed with changes by the House on February 21, 1974, as H.R. 12670. It would restructure flight pay in that junior aviators would receive more money while senior personnel, where performance and retention problems are less, would be paid less. This restructuring should help retain more junior personnel, and reduce the cost of training replacements.

Finally, Public Law 93–64 enacted in July, 1973, made permanent the rates for the basic allowance for quarters for junior enlisted personnel. More importantly, it removed the legal language which stated these personnel were "considered at all times to be without dependents."

Sincerely,

WILLIAM K. BREHM.

CALCULATION OF PROPOSED OCTOBER 1, 1973, MILITARY PAY INCREASE

Objective: To provide all personnel of the uniformed services with an overall average increase which equates to that provided General Schedule employees, as required by section 8 of Public Law 90–207. That law provides that whenever the general schedule of compensation for Federal classified employees is adjusted upwards, there shall immediately be placed into effect a comparable upward adjustment in the basic pay of members of the uniformed services. This basic pay adjustment must provide all personnel of the uniformed services with an overall increase in regular compensation which equates to the salary increase provided General Schedule employees.

The Office of Management and Budget (OMB) has estimated the average increase in salary for General Schedule employees to be 4.77 per cent effective October 1, 1973. The objective of the following analysis is to determine what percentage increase in basic pay will provide the members of the uniformed services with an average increase in Regular Military Compensation of 4.77 per cent.

The annualized active force Regular Military Compensation for the purpose of this computation is as follows:

	Dollars [millions]
Basic pay	14,724.73
Quarters and subsistence [1]	3,861.34
Federal income tax advantage [2]	880.89
Total	19,466.96

[1] Includes cost of quarters and subsistence furnished.

[2] Does not reflect special tax exemptions for personnel in combat areas.

A 4.77 per cent increase in regular compensation is computed by multiplying 4.77 per cent times $19,466.96 million. This equals $928.6 million which when applied to basic pay results in an increase of 6.16 per cent in Basic Pay across the board.

Attached are cost estimates for FY 1973 and FY 1974.

Cost estimates for a 6.16 percent increase in basic pay effective October 1, 1973

	Dollars [millions]
Fiscal Year 1974 cost (October 1, 1973 to June 30, 1974):	
Basic pay	680.6
Pay related items	134.0
Total DoD cost	814.6
Other uniformed services	15.5
Total fiscal year 1974 costs	830.1
Fiscal year 1975 costs:	
Basic pay	907.4
Pay related items [1]	179.7
Total DoD cost	1,087.1
Other uniformed services	20.6
Total fiscal year 1975 costs	1,107.7

[1] Pay related items vary with changes in basic pay and consist of: reenlistment bonus, FICA, Reserve and National Guard, death gratuities, continuation pay, separation pay, pay of Cadets and Midshipmen, and retired pay.

By Mr. MOSS:

S. 3479. A bill to authorize the Secretary of the Interior to cooperate with the States and political subdivisions thereof in the enforcement of State and local laws, rules, and regulations on certain lands administered by the Secretary of the Interior. Referred to the Committee on Interior and Insular Affairs.

Mr. MOSS. Mr. President, I am introducing today a bill authorizing the Secretary of Interior to contract with local law enforcement agencies for protection of lives and property located in national parks. The measure is similar to the Sisk bill, Public Law 92–82, which allows the U.S. Forest Service to contract with law enforcement agencies for patrol and law enforcement duties.

Presently, many local communities are unable to provide adequate law enforcement personnel to safeguard lives and property on Federal land during the spring, summer, and fall months when there is a heavy influx of highly mobile tourists on Federal lands. Local police agencies all over the country already hold complete law enforcement authority in their respective counties; each has the expertise in the field of law enforcement, and could expand manpower to

meet the requirements of law enforcement of Federal lands.

I urge that the Senate review this proposal and take speedy action thereon.

I ask unanimous consent that the bill be printed in the RECORD at this point.

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

S. 3479

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior, in connection with the administration and regulation of the lands and waters comprising the National Park System and miscellaneous areas administered in connection therewith, is authorized to cooperate with any State or political subdivision thereof, on lands which are within or part of any such National Park System or area, in the enforcement or supervision of the laws or ordinances of a State or subdivision thereof. Such cooperation may include the reimbursement of a State or its subdivision for expenditures incurred in connection with activities on such lands and waters. This Act shall not deprive any State or political subdivision thereof of any right which it has to exercise civil and criminal jurisdiction within or on lands and waters whch are a part of the National Park System or miscellaneous areas administered in connection therewith.

SEC. 2. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

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

S. 3480. A bill to authorize a national summer youth sports program. Referred to the Committee on Labor and Public Welfare.

THE NATIONAL SUMMER YOUTH SPORTS PROGRAM

Mr. TUNNEY. Mr. President, if Congress fails to take action quickly, the National Summer Youth Sports program will soon be discontinued. This program was founded in 1969 to provide disadvantaged youth, ages 10 to 18, with supervised sports instruction as well as health and nutritional services during the summer months. It has proven a resounding success. This program has been run on a cooperative basis by the President's Council on Physical Fitness and the National Collegiate Athletic Association. It has grown every year until today 105 institutions of higher learning in 36 States participate in the program. Furthermore, over 100 other colleges and universities have indicated that they would like to join if further funding were available.

More than 200,000 youngsters have been served in the 5-year life of the National Summer Youth Sports program. They have received medical examinations, daily nutritious meals, health education and counseling in study and career opportunities along with instruction in supervised sports activities.

Yet, this program apparently is being phased out by the administration which has requested no funding for this program for fiscal year 1975. It is imperative that we continue this program of proven value.

All who have examined this program have commended it highly. President Nixon, in 1972, discussing the national summer youth sports program, wrote:

When the National Summer Youth Sports Program began in 1969, it was its aim and our determination to provide inner city youngsters with the skills, instruction, competitive opportunities, and health and nutritional services which most of us are able to give to our own children.

By contributing their skilled leadership and splendid athletic facilities to this effort, the nation's institutions of higher education have helped us to advance this goal.

I am especially pleased to congratulate the universities, colleges, and junior colleges that have participated in the National Summer Youth Sports Program and to applaud the National Collegiate Athletic Association for voluntarily bearing a major share of the administrative expenses it has incurred.

The ideals that inspired this program and those that have assured its continuing success are an inspiration for all who are committed to the progress of our society.

Those words are as valid today as they were 2 years ago. Yet, this program will come to an abrupt end unless we take immediate action.

It is for these reasons that Senator HUMPHREY and I today are introducing legislation to reauthorize and expand this worthy program to assure that the more than 40,000 inner city youths who are aided annually by this program will have access to avenues of hope and fulfillment.

This legislation authorizes the expenditure of $5 million for each of the fiscal years 1975, 1976, and 1977. It also mandates that at least 90 percent of the youths participating in each program be selected from families whose income falls below the poverty level. This provision assures that the national summer youth sports program will continue to focus on giving opportunities to youths who otherwise would be unable to gain the experience that this program provides. Also, the legislation calls for the maximum utilization of affected neighborhood groups in program planning and provides that these communities also will be looked to, to provide a large share of the support personnel.

Mr. President, I ask unanimous consent that the text of the bill and a list of the participating institutions in the national summer youth sports program be inserted in the RECORD at the end of my remarks.

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

S. 3480

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Summer Youth Sports Program Act of 1974".

STATEMENT OF PURPOSE

SEC. 2. The Congress finds that disadvantaged youth benefit from participation in a program concentrated in the summer months, with an opportunity for continued activities throughout the year, which provides sports instruction and competition in a context of high quality facilities and supervision and includes instruction concerning employment and study and career opportunities, regular association with college instructors and athletes and exposure to college and university campuses. Such a program creates an opportunity to help equip these youth with new skills, enhanced appreciation of their abilities and a broader perspective on the educational and employment opportunities available to them. The Congress further finds that such a program has been successfully conducted in recent years by the National Collegiate Athletic Association and various participating colleges and universities in cooperation with the President's Council on Physical Fitness and Sports, that the combination of Federal funds and college resources offers leaders in education and athletics an opportunity and a challenge to perform a needed service which they are uniquely qualified to provide, and that this program should be authorized on a permanent basis.

PROGRAM AUTHORIZED

SEC. 3. (a) (1) The Secretary of Health, Education, and Welfare (hereinafter referred to as the "Secretary") shall make grants or enter into contracts for the conduct of an annual national summer youth sports program concentrated in the summer months, with opportunity for continued activities throughout the year, designed to offer disadvantaged youth living in areas of concentrated poverty an opportunity to receive educational instruction, sports instruction, and health and nutritional services, and to participate in educational programs and sports competitions.

(2) No assistance may be provided under this section unless satisfactory assurances are received that (A) not less than 90 per centum of the youths participating in each program to be assisted under this section are from families with incomes below the poverty level, as determined by the Secretary, and that such participating youths and other neighborhood residents, through the involvement of the appropriate community action agency or otherwise, will have maximum participation in program planning and operation and (B) all significant segments of the low-income population of the community to be served will be served on an equitable basis in terms of participating youths and instructional and other support personnel.

(b) Programs under this Act shall be administered by the Secretary, through grants or contracts with the National Collegiate Athletic Association or any other qualified national organization of colleges and universities. Each such grant or contract shall contain provisions to assure that the program to be assisted will—

(1) expand educational opportunities for disadvantaged youths, designed to provide an opportunity to engage in competitive sports and benefit from sport skills instruction;

(2) help young people learn good health practices and become better citizens by utilizing the personnel and facilities of higher education;

(3) enable the contractor and institutions of higher education located conveniently to areas of concentrated poverty and their personnel to participate more fully in community life and in the solution of community problems;

(4) provide a combination of employment and on-the-job training in sports instruction and administration; and

(5) serve major metropolitan centers of the United States as well as other areas, within the limits of program resources.

Local projects under any such program will be conducted under approved contracts between the principal contractor or grantee and selected institutions of higher education qualified to carry out a program under this Act.

PAYMENTS

SEC. 4. (a) Except where the Secretary determines that unusual circumstances make a larger percentage necessary to effectuate the purposes of this Act, a contract or grant under this Act with respect to any program

may not provide for payment of more than 80 per centum of the direct costs incurred in carrying out the total program. The non-Federal share may be cash or in-kind contributions.

(b) Payments under this Act may be made in advance or by way of reimbursement, and in such installments and on such conditions as the Secretary deems necessary to carry out the purposes of this Act.

LIMITATION ON ADMINISTRATIVE EXPENSES

SEC. 5. (a) No principal grantee or contractor under this Act may charge any fee for general and administrative expenses of supervising a program assisted under this Act. Each such grantee or contractor shall be responsible for financing all of its own expenses from sources other than this Act.

(b) No institution of higher education with which the principal grantee or contractor enters into a contract under this Act may charge any fee for general and administrative expenses incurred in operating a program assisted under this Act.

PARTICIPATING INSTITUTIONS IN THE 1973 NSYSP

ALABAMA

University of Alabama, Birmingham.
Miles College.
Alabama State University.

ARIZONA

Arizona State University.
University of Arizona.
Phoenix College.

ARKANSAS

University of Arkansas, Pine Bluff.

CALIFORNIA

California State College, Hayward.
California State College, Long Beach.
California State University, Los Angeles.
University of California, Riverside.
University of California, San Diego.
Laney College.
Pepperdine University.
University of San Francisco.
California State University, San Francisco.
University of Southern California.

COLORADO

Community College of Denver.
Metropolitan State College.

CONNECTICUT

Trinity College.

DISTRICT OF COLUMBIA

The Catholic University of America.
Howard University.

FLORIDA

Florida A&M University.
Miami-Dade Junior College—North.
Miami-Dade Junior College—South.
The University of South Florida.

GEORGIA

Morehouse College.
Fort Valley State College.

HAWAII

University of Hawaii.

ILLINOIS

Chicago State College.
The University of Chicago.
University of Illinois, Chicago Circle.
University of Illinois, Champaign.
Illinois Institute of Technology.
Southern Illinois University, Edwardsville.

INDIANA

Marian College.

KANSAS

Wichita State University.

LOUISIANA

Southern University, New Orleans.
Southern University A&M College.
Tulane University.

MARYLAND

Community College of Baltimore.
Johns Hopkins University.
Loyola College.
Morgan State College.

MASSACHUSETTS

Boston College.
Boston University.
Springfield College.

MICHIGAN

University of Detroit.
Wayne State University.

MINNESOTA

Macalester College.

MISSISSIPPI

Jackson State College.

MISSOURI

Forest Park Community College.
The Lindenwood Colleges.
University of Missouri, Kansas City.
Harris Teachers College.

MONTANA

University of Montana.

NEBRASKA

Creighton University.

NEW JERSEY

Montclair State College.

NEW MEXICO

University of New Mexico.

NEW YORK

Canisius College.
The City College of New York.
Fordham University.
Herbert H. Lehman College.
Hunter College.
Long Island University.
St. John's University.
Monroe Community College.

NORTH CAROLINA

North Carolina A&T State University.
Fayetteville State College.

OHIO

The University of Akron.
Case Western Reserve University.
University of Cincinnati.
University of Dayton.
Ohio State University.
University of Toledo.

OKLAHOMA

The University of Tulsa.
Northeastern State College.

OREGON

Concordia College.

PENNSYLVANIA

Cheyney State College.
Drexel University.
University of Pennsylvania.
University of Pittsburgh.
University of Scranton.
Temple University.

SOUTH CAROLINA

University of South Carolina.

TENNESSEE

Fisk University.
LeMoyne-Owen College.
Memphis State University.
Southwestern, Memphis.
Tennessee State University.

TEXAS

Bishop College.
Texas Southern University.
University of Texas, El Paso.
Trinity University.
Texas Wesleyan College.

UTAH

Weber State College.

VIRGINIA

Hampton Institute.
Norfolk State College.
Old Dominion University.
Virginia Union University.

WASHINGTON

Seattle University.

WEST VIRGINIA

Marshall University.

WISCONSIN

Alverno College.
University of Wisconsin, Milwaukee.

ADDITIONAL COSPONSORS OF BILLS AND JOINT RESOLUTIONS

S. 2690

At the request of Mr. MUSKIE, the Senator from Maine (Mr. HATHAWAY) and the Senator from New Hampshire (Mr. MCINTYRE) were added as cosponsors of S. 2690, a bill to amend title XVIII of the Social Security Act to liberalize the conditions under which post-hospital home health services may be provided under part A thereof, and home health services may be provided under part B thereof.

S. 2695

At the request of Mr. MUSKIE, the Senator from Maine (Mr. HATHAWAY), the Senator from Indiana (Mr. BAYH), and the Senator from New Hampshire (Mr. MCINTYRE) were added as cosponsors to S. 2695, a bill to amend the Public Health Service Act to provide for the making of grants to assist in the establishment and initial operation of agencies which will provide home health services.

S. 3167, S. 3168 AND S. 3169

Mr. TOWER. Mr. President, I ask unanimous consent that the Senator from New Mexico (Mr. DOMENICI) be added as a cosponsor of S. 3167, a bill to amend title II of the Social Security Act to eliminate the special dependency requirements for entitlement to husband's and widower's benefits, so that benefits for husbands and widowers will be payable on the same basis as benefits for wives and widows; S. 3168, to amend title II of the Social Security Act to permit payment of benefits to a married couple on their combined earnings record; S. 3169, to amend title II of the Social Security Act to provide that an insured individual otherwise qualified may retire and receive full old-age benefits, at any time after attaining age 60, if he has been forced to retire at that age by a Federal law, regulation, or order; and S. 3170, to amend title II of the Social Security Act to provide that any individual who has 40 quarters of coverage, whenever acquired, will be insured for disability benefits thereunder.

Mr. BEALL. Mr. President, on March 27, 1974, I introduced S. 3245, which would establish the National Transportation Safety Board as an independent agency in the executive branch of the Government and to provide the board with new and needed authority in the surface transportation area, including pipeline safety.

The recent pipeline explosions underscore again the need to strengthen the role of the National Transportation Safety Board in this regard. At present this agency only has two employees to investigate pipeline accidents. I have been exceedingly impressed with the quality of their work and I believe that Congress should increase the staffing of both the National Transportation Safety Board and the Office of Pipeline Safety. In addition, the Office of Pipeline Safety and the various States for the most part are understaffed. Congress should move to give this subject the priority it merits.

The very safety of our citizens is dependent on our response.

I also ask unanimous consent that a recent editorial from the April 25, 1974, Washington Post commenting on the recent gas explosions and a letter to the editors from Mr. Ben T. Wiggins, president, National Association of Regulatory Utility Commissioners, which appeared in today's Post, critical of the funding of the gas pipeline safety effort, be printed following my remarks.

Mr. President, I ask unanimous consent that Senators DOLE, PERCY, and HUMPHREY be added as cosponsors of S. 3245.

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

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

[From the Washington Post, Apr. 25, 1974]

GAS LINE EXPLOSIONS

The devastating explosion of a New York City office building earlier this week had officials perplexed only briefly as to the cause of the blast. After going through the wreckage that injured 70 persons in and around the 24-story building, the city's fire chief said the blowup was caused by "a free flow of gas into the basement through a six-inch opening in the pipe." The leaking gas was ignited by a spark and in an instant the building rocked with an estimated $10 million in damage.

Although leaking gas accidents of this particular size are not daily occurrences, accidents of smaller proportions definitely are. According to the Office of Pipeline Safety in the Department of Transportation, 4,963 accidents accurred from 1970 to 1973. The number of deaths totaled 136 and injuries were 1,291; and these figures are only *partial*, owing to limits of federal inquiry. The public seldom hears of this destruction to human life and property, because the accidents occur singly; if attention is given to a blowup—such as the recent ones in Bowie, Md., and in Northern Virginia—it is short-lived and dismissed as "one of those things." Such a dismissal is unwarranted.

The picture that emerges from examining the issue of pipeline safety suggests an attitude of indifference and casualness far out of proportion to the death and injury rates. The Office of Pipeline Safety, for example, has been given funds for only 21 professional staff positions, with a meager budget of $200,000 for research and development. With gas pipelines blowing up people and buildings with alarming frequency—and with about one million miles of these pipelines serving America's cities and towns—Congress acts with unusual calmness. Not since 1971 have oversight hearings been held on pipeline safety. Sen. Glenn Beall Jr. (R-Md.) recently sponsored an amendment to increase DOT appropriations by $1 million for the study of pipeline safety; the amendment passed the Senate but a conference committee reduced the sum to $275,000. It is true that the technology for pipeline safety is often complex, but it is not impossible; this should be a strong argument to seek more funds for staffing and research at both the federal and state level. At the moment, some states have only one person monitoring the dangers.

One group that is eager for increased attention to natural gas safety is the National Transportation Safety Board. Only a few weeks ago, it issued a detailed report on a 1972 Clinton, Mo., explosion that killed eight citizens, demolished one building and partially collapsed another. The ignition of a gas leak from a cast-iron main was the cause. Another recent explosion occurred in El Paso, Texas, killing seven and hospitalizing eight. In reports of both accidents, the board makes recommendations to the Office of Pipeline Safety: for new requirements for telemetering equipment which could give early warning of dangerous leaks in the distributions systems and for a new federal requirement for replacement or reinforcement of uncovered cast-iron natuarl gas pipeline facilities. Whether these recommendations are ever adopted is not known at the moment. An OPS official says they are being "evaluated."

Meanwhile, when and where will the next blowup occur? Until federal and state officials, not to mention the gas companies themselves, take the problem with more seriousness, the accident rate is not likely to go down. It may even go up, like the homes and buildings in the blasts.

[From the Washington Post, May 9, 1974]

FUNDS FOR PROMOTING GAS PIPELINE SAFETY

The association of state regulators heartily endorses the sentiments contained in the editorial entitled "Gas Line Explosions" carried in the April 25 editions of The Washington Post.

In particular we would underscore your observation that too often gas explosions and their attendant loss of life, personal injuries and property damage are shrugged off as "one of those things."

The state regulatory agencies, through their national organization, the National Association of Regulatory Utility Commissioners (NARUC), have for some years been fighting the battle of the budget to wheedle matching grant funds out of the federal government with the aim of mounting an effective national gas pipeline safety program in accord with the mandate of the Natural Gas Pipeline Safety Act passed by Congress in 1968.

The figures thus far are not impressive as you can see from the following list:

Year:	*Federal Grants-in-Aid Amount*
1969	0
1970	0
1971	$500,000
1972	750,000
1973	875,000
1974	1,175,000
1975 (in President's Budget)	1,200,000

Still, for every federal dollar forthcoming far more than one dollar to match it has been spent by the states who, in the process have built up, and are continuing to expand a formidable array of pipeline safety inspection programs and staffs to carry out those programs from less substantial beginnings six years ago.

As of today 49 states, the District of Columbia and Puerto Rico take part in the national gas pipeline safety program, some without federal financial help.

Efforts by the states are of great assistance to the federal government since it is federal standards that are being enforced and the federal agency responsible—the Office of Pipeline Safety—has traditionally been woefully short of manpower to enforce them. Thus the states have, in fact, acted as federal surrogates by means of their expenditures which do far more than match the federal funds. Even if each state in the program received one federal dollar for every state dollar spent on pipeline safety, the program would cost far less than if the federal government tried to go it alone.

What is needed then to provide the public the protection it deserves and that your editorial called for is a nationwide array of programs much expanded over those now in force.

The main stumbling block has been the OMB which traditionally whittles down the badly needed budget request for federal matching grant money.

Each year the states appeal to congress for the maximum money possible, but the nature of the appropriations process makes it difficult to secure an appropriation for an amount greater than that budgeted by the administration.

The safety program fostered thus far as a result of cooperation between the Office of Pipeline Safety and the state regulatory agencies is a good one and could be bigger and better if more federal funds were made available.

In fact, it is far superior to the federal-state rail safety program mandated by Congress in 1970, but nearly smothered by the intransigence of the Federal Railroad Administration which has so far done little to get the program off the ground.

Perhaps the unfortunate accident in New York City will prompt those within the OMB to reconsider their attitude to this subject and help provide our citizens with the safety services they deserve.

BEN T. WIGGINS,
President, National Association of Regulatory Utility Commissioners.
ATLANTA, GA.

S. 3339

At the request of Mr. HUMPHREY, the Senator from New Mexico (Mr. MONTOYA), the Senator from California (Mr. TUNNEY), and the Senator from Tennessee (Mr. BROCK) were added as cosponsors of S. 3339, to amend the program of supplemental security income for the aged, blind, and disabled—established by title XVI of the Social Security Act—to provide for cost-of-living increases in the benefits provided thereunder.

S. 3398

At the request of Mr. HARTKE, the Senator from Arizona (Mr. FANNIN) was added as a cosponsor of S. 3398, to amend title 38, United States Code, to provide a 10-year delimiting period for the pursuit of educational programs by veterans, wives, and widows.

S. 3403

At the request of Mr. DOLE, the Senator from Tennessee (Mr. BROCK) was added as a cosponsor of S. 3403, to amend the act of August 31, 1922, to prevent the introduction and spread of diseases and parasites harmful to honeybees.

SENATE JOINT RESOLUTION 190

At the request of Mr. SPARKMAN, the Senator from Florida (Mr. GURNEY) was added as a cosponsor to Senate Joint Resolution 190, to authorize and request the President to designate the period from May 26, 1974, through June 1, 1974, as "National Stamp Collecting Week."

SENATE CONCURRENT RESOLUTION 84—SUBMISSION OF A CONCURRENT RESOLUTION RELATING TO OPIUM PRODUCTION IN TURKEY

(Referred to the Committee on Foreign Relations)

Mr. MONDALE. Mr. President, last week I wrote to President Nixon to urge him to take personal action to stop the Turkish Government from going further toward resumption of legal growing of opium in that country.

The halt of the Turkish opium production 2 years ago has been a major factor in our battle against heroin addiction in this country. It has reduced illegal heroin supplies drastically, driven up the price, and as a consequence, addicts are coming in off the streets and seeking help and treatment.

Before the Turkish ban, an estimated 80 percent of the illegal heroin in this country came from Turkey. Since the Turkish Government imposed a ban on opium production, the number of esti-

mated heroin addicts in the United States has dropped, according to some sources, more than 60 percent.

The time for action is now. The Turkish Government has authorized the germination of seeds, and according to news reports, a decision to go ahead with planting in the fall may take place soon.

During my recent visit to Europe, narcotics officials and foreign government leaders made clear to me that the key to combating illegal narcotics traffic is continued high-level American concern. If we do not make clear that we still care about this problem, then foreign governments, who have been cooperating with us, cannot be expected to maintain their high level of interest and dedication in stopping narcotics traffic.

I would hope that Watergate and the energy crisis and other concerns of the day would not lead us to lose sight of this very important struggle against narcotics addiction. I hope this administration, which has shown such tenacity in other areas, would show the same determination in continuing to fight against narcotics addiction.

Unfortunately this does not seem to be the case. The administration is considering starting up opium production in the United States for legitimate purposes. The drug companies are putting on the pressure and claim a shortage in the availability of opium. The White House seems favorably disposed toward the idea even though the head of the Federal Drug Enforcement Administration has stated that the extent of the opium shortage has been exaggerated by pharmaceutical companies. The White House seems completely indifferent both to the inherent risks of domestic opium production and the fact that this would make it impossible to hold back the floodgates of Turkish production. The administration seems to think it can follow a policy of telling the Turks to "do as I say, not as I do."

The story of the attitude of American officials in Ankara is no more encouraging. They seem to be no longer seriously pressing the Turkish Government to maintain the ban on opium, and worry more about our military bases there—bases which we could not use during the Arab-Israeli war while the Soviets carried on an airlift through Turkish airspace with impunity.

Our diplomats in Turkey seem more concerned about Turkish pride, about the Turkish rights to decide to do whatever they want, than they do about the fact that the lives and future of tens of thousands of Americans may be ruined permanently if the Turkish opium ban is lifted. I am frankly appalled at this attitude.

So at the highest level of this administration, it appears we are more concerned about growing opium ourselves than in maintaining a ban in Turkey. And at the lower levels, in the field, our diplomatics are more concerned about Turkish pride than the lives of the young people who will be destroyed if cheap and plentiful supplies of heroin again flood the American market.

For this reason, in my letter I called the President's attention to the legislation which I introduced and which has become law, 22 U.S.C. sec. 2291. It requires suspension of economic and military assistance, including military sales as well, upon determination by the President that a foreign government has failed to take adequate steps to prevent drugs from unlawfully entering the United States. Last year direct U.S. aid and military sales credit for Turkey was more than $100 million. This year the administration plans to increase this to $140 million.

I can understand Turkish sensitivities and realize that the possibility of an aid cut-off could hurt Turkish pride. That is not the objective. I do not want to infringe on Turkish sovereignty nor make life more difficult for the Turkish Government which is struggling back toward democratic rule. I am against growing opium in this country as well as in Turkey. I recognize that drug addiction is primarily an internal U.S. problem. But the Turkish people and the Turkish Government will have to understand that the growing of opium poppies is not just an internal Turkish problem. It affects the lives of Americans.

We cannot tolerate a situation in which Turkey takes actions which lead to the destruction of lives in this country while we continue to provide funds to protect the lives and improve the well-being of the people of Turkey.

So I have called upon the President to take prompt action and repeat that call today. I have not, however, received a response to my letter. To make clear the broad concern that exists on this issue, I have joined with Senator BUCKLEY, Congressmen RANGEL, RODINO, and WOLFF in sponsoring a Sense of the Congress Resolution that immediate negotiations should be undertaken to maintain the ban on opium in Turkey, and to terminate our assistance if it is not.

Mr. President, I ask unanimous consent that the text of the resolution may appear at this point in the RECORD.

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

S. CON. RES. 84

Whereas the President of the United States in 1971 declared that the drug problem in our nation had "assumed the dimensions of a national emergency," and that "heroin addiction was the most difficult to control and the most socially destructive form of addiction"; and

Whereas it has been estimated that prior to 1972, 80 percent of illicit heroin entering the United States was produced from a Turkish opium base; and

Whereas in 1972, the Turkish Government agreed to ban the growing of the opium poppy in exchange for $35.7 million in assistance to be provided by the United States to compensate losses accrued to the Turkish farmers and to assist in developing alternative crops; and

Whereas the Turkish Government's ban on opium reduction in both quantity and quality of heroin available on the streets of America, which has resulted in the reduction of the estimated number of heroin addicts by more than 60 percent; and

Whereas the Turkish Government has permitted the germination of poppy seeds which could be ready for planting this fall; and

Whereas the Turkish Government is presently deliberating over the possibility of lifting the ban on opium poppy production in Turkey; and

Whereas the Foreign Assistance Act authorized the President of the United States to cut off aid to any nation that he determines had not taken adequate measures to prevent illegal drugs from entering the United States; and

Whereas the revocation of the opium ban in Turkey is counter productive to measures precluding illegal heroin from entering the United States; Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), that it is the sense of the Congress that the President should—

(1) immediately initiate negotiations at the highest level of the Turkish Government to prevent the resumption of opium production; and

(2) if such negotiations prove unfruitful, exercise the authority provided by the Congress under the Foreign Assistance Act, to terminate all assistance to the Government of Turkey.

STANDBY ENERGY EMERGENCY AUTHORITIES ACT—AMENDMENTS

AMENDMENTS NOS. 1276 THROUGH 1280

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

Mr. BELLMON. Mr. President, I am today introducing five amendments which I plan to call up next week during consideration of S. 3267, the Standby (Energy) Emergency Authority Act.

That bill like its predecessors is still addressed to the wrong part of our national energy problem. It does nothing to increase supplies of oil and gas. We must do more than simply spread shortages through rationing and other means. We must act to increase supply, otherwise this Nation will increasingly become dependent upon insecure foreign sources for our energy. These proposals are modest and largely noncontroversial. Three of them have previously been introduced separately, and as part of S. 1162.

These are:

First. An antitrust exemption for energy research agreements. I am convinced that more research on energy will bring quick results in terms of achieving the capability for energy self-sufficiency. I am also convinced that research in the private sector will be at least as fruitful and productive as the research purchased with Federal appropriations. Therefore, I would like to remove an inhibition that presently prevents cooperation among companies in pursuing this research.

Second. Authority for the Secretary of Defense to enter into agreements for the purchase of low sulfur hydrocarbons produced from coal or oil shale. Assured purchases of equipment by the Department of Defense has long been the incentive and mainstay for development and production of aircraft and other needed products. This proposal would be a similar means of providing to producers the assurance that their product will find a market. With such assurance, the enormous capital requirements and other undertakings and commitments necessary to get such plants built can be met.

Third. A proposal to change the Joint Committee on Atomic Energy to a Joint Committee on Energy. This is surely an idea whose time has come. It has been debated several times in this Chamber. It seems to me that without further ado we should take this modest step. We will shortly be considering the Energy Re-

search and Development Act by which we will reallocate executive responsibilities in this area and break up the Atomic Energy Commission. The Senate should move now to enlarge the responsibilities of the present committee to encompass the total energy needs of the Nation.

If we had had a properly constituted body which could have considered all energy related matters, we might have been able to anticipate and avoid some of the energy problems we now have. Let us not delay any longer.

Mr. President, two of my proposals are new to this Chamber; but, again, they are sufficiently in the interest of equity that I hope they will meet with acceptance and quick approval.

Mr. President, those of us who represent energy-producing States have long despaired at the neglect and shortsighted attitudes of officials of energy consuming States. They do not want oil produced off their shores; they do not want refineries built in their States; they do not want deep-water ports for tankers. But, they want the energy. This double standard cannot continue. Producing States resent these policies, but we especially feel the unfairness of being required to export our raw materials to other States at prices that do not reflect the value of these materials. Once our natural resources are depleted at these artificially low or controlled prices, producing States will be impoverished.

In no area is this inequity worse than in the control of natural gas prices. I am beginning to despair of any chance of decontrolling these prices. In the meantime much Oklahoma gas is being exported at prices set by the FPC as low as 15 cents per thousand cubic foot when it is being sold intrastate for 75 cents per thousand cubic foot and up. On a Btu basis, compared to $8 a barrel oil, its value is about $1.50 per thousand cubic foot.

At least two groups are seriously disadvantaged by this situation: First, States and local governments whose taxes are based on this artificially low price rather than the true value; and second, the owners and producers of this gas.

It has been estimated that the State of Oklahoma loses about $5 million each year in revenue because of this situation.

From the standpoint of simple justice, if a majority of the representatives in Congress wish to continue this control and these artificially low prices for the benefit of the consumers in their States, then the least they can do is to reimburse the people of Oklahoma and similarly situated States for their loss of income. It is bad enough to be compelled to export the raw material at such low prices; we should not have to provide a tax subsidy to other States, too.

The second amendment is based upon simple justice and equity. If the owners of natural gas are being required to sell their property at artificially low prices for the benefit of consumers, they deserve to be reimbursed for their loss. Either we should decontrol the price on natural gas, or taxpayers-at-large should share this burden, not the owners of the natural gas. Consumers in producing States are paying what gas is worth. Why should consumers in other States not pay the true value of their premium fuel.

In my State of Oklahoma there are thousands of small farmers and landowners who get the royalty owner's customary one-eighth of the income from gas sold. One-eighth of 15 cents is certainly different than one-eighth of 75 cents.

On a recent trip to the southwestern part of my State, I receive many complaints about this situation. In one case, the royalty income check from the oil company and the social security check from the Government was the principal source of income for one of my constituents.

So, I can assure my colleagues that when they embark on punitive measures to "fleece the rich and the fat companies," they unwittingly punish any number of retired people, farmers, laborers, and small businessmen. It is time we started to reverse this trend—from the standpoint of justice—as well as from the standpoint of increasing our supplies of domestic energy through greater incentives to producers.

Mr. President, I ask unanimous consent that the full text of these five amendments be printed in the RECORD.

There being no objeciton, the amendments were ordered to be printed in the RECORD, as follows:

AMENDMENT No. 1276

At the end of the bill insert the following new title:

TITLE III—EXEMPTION FROM ANTITRUST LAWS FOR ENERGY RESEARCH AGREEMENTS

SEC. 301. (a) The antitrust laws, as defined in section 1 of the Act of October 15, 1914 (15 U.S.C. 12) and in the Federal Trade Commission Act (15 U.S.C. 41 et seq.) shall not apply to any joint agreement by or among persons engaged in the production or development of energy resources, including but not limited to secondary and tertiary recovery of crude oil and gas and extraction of sulfur from coal, natural gas, and crude oil, if such agreement is solely for the purpose of carrying our research to improve such production or development.

(b) As used in this section "person" means any individual, partnership, corporation, or unincorporated association or any combination or association thereof.

(c) Nothing in this section shall affect any cause of action existing on the date of enactment of this section.

SEC. 302. The amendment made by this title shall take effect on the date of enactment of this Act.

AMENDMENT No. 1277

At the end of the bill insert the following new title:

TITLE III—NATIONAL DEFENSE ENERGY RESOURCE DEVELOPMENT AND PRODUCTION INCENTIVE PROGRAM

SEC. 301. The Secretary of Defense shall enter into contracts or agreements that will guarantee for a fifteen-year period after enactment of this Act the purchase of low sulfur hydrocarbon liquids, produced from coal or oil shale up to the level of Department of Defense annual oil and oil products requirements plus normal reserves at a price adequate to insure the producer a reasonable return on investment.

SEC. 302. The amendment made by this title shall take effect on the date of enactment of this Act.

AMENDMENT No. 1278

At the end of the bill insert the following new title:

TITLE III—CHANGE OF JOINT COMMITTEE ON ATOMIC ENERGY INTO JOINT COMMITTEE ON ENERGY

SEC. 301. Change of Name and Functions.—Chapter 17 of the Atomic Energy Act of 1954 (42 U.S.C. 2251–2257), as amended, is amended—

(1) by striking out "Atomic" in the chapter heading;

(2) by striking out "Atomic" in section 201; and

(3) by strilkng out section 202 and inserting in lieu thereof the following: Sec. 302. Authority and Duty.—

(a) The Joint Committee shall make continuing studies of problems relating to the development, use, and supply of energy for the purpose of making such recommendations to the Congress with respect thereto as it deems advisable in the interests of the national security, the public health and welfare, and the Nation's economic stability. In making such studies the Joint Committee shall hold periodic public hearings. The Commission and other agencies of the Government exercising responsibilities in matters pertaining to the development, use, and supply of all forms of energy, shall keep the Joint Committee fully and currently informed with respect to their activities in such matters.

(b) All bills, resolutions, and other matters in the Senate or House of Representatives relating primarily to the Commission or to the development, use, or control of energy shall be referred to the Joint Committee.

(c) The members of the Joint Committee who are Members of the Senate shall from time to time report to the Senate, and the members of the Joint Committee who are Members of the House of Representatives shall from time to time report to the House (1) their findings and recommendations with respect to problems relating to the development, use and supply of energy, and (2) their recommendations, by bill or otherwise, with respect to matters within the jurisdiction of their respective Houses which are referred to the Joint Committee under subsection (b) or which otherwise relate to energy and are within the jurisdiction of the Joint Committee.

SEC. 303. The amendments made by this title shall take effect on the date of enactment of this Act.

AMENDMENT No. 1279

At the end of the bill insert the following new title:

TITLE III—PAYMENTS TO STATES AND LOCALITIES IN LIEU OF TAXES ON THE TRUE VALUE OF NATURAL GAS

SEC. 301. At the end of each fiscal year the Secretary of the Interior shall cause to be calculated the loss in revenue to states and local jurisdictions from taxes on natural gas because of the area or other rates set by the Federal Power Commission. In making this calculation the true value of the natural gas shall be the average value of natural gas sold in the intra-state market for each state during the preceding fiscal year. The Secretary of the Treasury shall then pay out of funds available to him and without further appropriation such amounts to each state and local jurisdiction.

SEC. 302. The amendment made by this title shall take effect on the date of enactment of this Act.

AMENDMENT No. 1280

At the end of the bill insert the following new title:

TITLE III—PAYMENTS TO PRODUCERS AND ROYALTY OWNERS IN LIEU OF INCOME FROM THE SALE OF NATURAL GAS AT INTERSTATE RATES

SEC. 301. Owners of title to natural gas sold in interstate commerce at area rates set by the Federal Power Commission which are below prices received from natural gas sold intra-state shall be re-imbursed for their loss of income. The Secretary of the Treasury shall by rule and regulation provide proper forms and procedures for royalty owners and producers to make application for re-imbursement and upon proper application shall cause to be paid out of the Treasury from funds not otherwise appropriated and without further appropriation the amounts due. The loss of income shall be calculated yearly by the Secretary of the Interior based on the average price each fiscal year for natural gas sold in intra-state commerce for each state.

SEC. 302. The amendment made by this title shall take effect on the date of enactment of this Act.

AMENDMENT NO. 1281

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

Mr. BELLMON. Mr. President, a great inequity presently exists in connection with this Nation's effort to meet our energy needs. By passage of the Emergency Petroleum Allocation Act of 1973, Congress has endeavored to equitably distribute the limited supplies of petroleum products among consumers in every State in the Union. However, at the same time, several States presently are enforcing prohibition against the development of potential petroleum resources within areas under their jurisdiction and also the construction of petroleum processing facilities.

This Nation can ill afford such a double standard. It makes no sense to say to the citizens of one State that the petroleum resources of that State shall be developed and processed and transferred into another State which will not allow similar development and processing.

I am today introducing an amendment to S. 3267, which I plan to call up next week, and which is intended to end this inequity and in this way hasten the day when the energy needs of citizens of every section of this country can be adequately met.

Mr. President, I ask unanimous consent that the full text of this amendment be printed in the RECORD.

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

AMENDMENT NO. 1281

At the end of the bill insert the following new title:

TITLE III—EQUITABLE OIL AND REFINERY PRODUCT ALLOCATION

SEC. 301. Amendment of Emergency Petroleum Allocation Act of 1973. Section 4 of the Emergency Petroleum Allocation Act of 1973 is amended by adding at the end thereof the following:

(h) In the administration of the provisions of this Act, the President shall take such action as may be necessary to assure that, in carrying out any program allocating refined petroleum products under this Act, any adjustments made with respect thereto involving the diverting from one State or another State for the purpose of relieving shortages of refined petroleum products therein, shall not have the effect of diverting refined petroleum products from a State which allows the development or processing of crude oil resources within areas under its jurisdiction and control to a State which, by its laws or policies, or both, prohibits, substantially limits, or restricts the development or processing of crude oil resources within areas under its jurisdiction or control.

SEC. 302. The Amendment made by this title shall take effect on the date on enactment of this Act.

AMENDMENTS NOS. 1283 THROUGH 1287

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

Mr. TOWER submitted five amendments, intended to be proposed by him, to S. 3267, supra.

AMENDMENT NO. 1296

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

Mr. ABOUREZK submitted an amendment, intended to be proposed by him to S. 3267, supra.

DEPARTMENT OF DEFENSE APPROPRIATION AUTHORIZATION BILL, 1975—AMENDMENT

AMENDMENT NO. 1282

(Ordered to be printed, and referred to the Committee on Armed Services.)

DEFENSE DEPARTMENT BUDGET

Mr. BIDEN. Mr. President, I introduce today an amendment to the fiscal year 1975 Defense Department authorization bill. This amendment is divided into two sections. The first section declares the will of Congress that the Defense Department may not during any fiscal year adjust its budget or budgets to help stimulate or effect a change in the domestic economy. And it expressly prohibits the use of funds in this manner. Second, this amendment requires the Secretary of Defense to submit a written report to the Congress within 30 days of enactment of the fiscal year 1975 Department of Defense budget authorization appropriation specifying and delineating amounts, if any, included for the primary purpose of stimulating or effecting a change in the domestic economy.

I believe that the purpose of this amendment is fairly evident particularly in light of the press coverage of Secretary of Defense Schlesinger's statements to the House Defense Appropriations Subcommittee in February of 1974. The gist of Mr. Schlesinger's comments to questioning was to admit, "there is an element of economic stimulus in this budget—." and that this was "sound economic policy." On this date, Defense Secretary James Schlesinger acknowledged that as much as $1.5 billion in the fiscal year 1975 defense budget is to stimulate our sagging economy, out of a total obligational authority of $92.6 billion. My amendment would require a strict accounting of such economic devices as well as prohibiting them.

This $1.5 billion—which in reality might be even higher—has been equally represented as a "cushion," economic tool," and a "pump-priming" device meant to stimulate and increase defense spending to prevent recession. I believe that there is no justification for using defense spending, rather than increases in the civilian sector of the budget, to stimulate the economy. Statistics illustrate that rising defense costs contribute to higher prices and that as the major component of the Federal budget, defense costs are in large part responsible for our considerable budget deficits. By stimulating the economy to the tune of $1.5 billion, we are assured of even higher inflation.

Now I would like to share some of the findings with you from a research study prepared by the Center for Defense Information. This paper shows the deleterious effect of increased military spending on inflation. The defense budget is the wrong vehicle to use to spur the economy.

The evidence is quite simple. The Office of Management and Budget states that 56 percent of the Defense Department budget goes for personnel costs. Thus, the impact of defense spending in 1974 is primarily a function of its outlays for personnel rather than procurement, because personnel has the tendency to increase aggregate demand for goods, yet produce nothing in return, thus spurring even more marked spiraling of inflation.

By analyzing outlays for R.D.T. & E., procurement, and personnel, the Center demonstrates how nonproductive military spending can induce increased conditions of excess demand and the inflation it characterizes. The demand generated by the military spending might cause producers in the market sector to expand their operations to meet the increased aggregate demand. Although new jobs would be created, it is unlikely that these efforts would effectively offset the large excess aggregate demand caused by military spending.

What this adds up to is that many of the people who are paid by the Defense Department produce no goods for the market sector of the economy. Yet, they purchase these items, adding to the aggregate demand, thereby worsening inflation.

Another relevant finding shows: "Investment in R.D.T. & E., military procurement, and personnel involves significant opportunity costs. If the United States spends more than necessary on these functions, the country not only wastes the allocated funds, but it also loses opportunities to invest this money that would increase market sector output, thereby helping to reduce excess demand."

This shows that defense industries are relatively capital intensive rather than labor intensive. A Bureau of Labor Statistics report has shown that $1 billion spent on defense generates only 75,817 jobs while the same amount spent at the State and local levels for health care would create 80,041 jobs or 104,019 education jobs.

On March 25, 1974, a report of the Joint Economic Committee recommended that the defense budget not be viewed as a public employment program. They further said that the best road toward economic recovery is to face the problem directly and to spend money where the greatest number of jobs and goods will be created. I agree with the finding that defense spending curbs recession less effectively than some other kinds of budgetary outlays.

This amendment represents a first step in our efforts to curb inflation and set our economy on the road to a healthy recovery.

Mr. President, I ask unanimous con-

sent that the text of the amendment be printed in the RECORD at this point.

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

AMENDMENT NO. 1282

SEC. 702. (a) The Congress declares that it is not a proper function of the Department of Defense, in determining the amount of the budget for that department for any fiscal year, to make allowances for amounts needed to help stimulate or otherwise effect a change in the domestic economy. No funds authorized to be appropriated to the Department of Defense by this or any other Act may be expended for the purpose of stimulating or otherwise affecting a change in the domestic economy unless the expenditure of such funds for such purpose is specifically authorized by law enacted after the date of enactment of this Act.

(b) The Secretary of Defense shall submit a written report to the Congress within thirty days after the date of enactment of this Act indicating the specific amounts, if any, requested or included in the budget of the Department of Defense for the fiscal year ending June 30, 1975, which were requested or included for the primary purpose of stimulating or otherwise effecting a change in the domestic economy.

REGULATION OF INTERSTATE AND FOREIGN COMMERCE TRADING OF FUTURES CONTRACTS—AMENDMENT

AMENDMENT NO. 1283

(Ordered to be printed, and referred to the Committee on Agriculture and Forestry.)

Mr. HART. Mr. President, about 1 year ago, the able Senator from Iowa, Mr. DICK CLARK, asked the General Accounting Office to study and report on changes needed to be made in the trading of commodity futures contracts. On Monday, an interim report was made public. I ask unanimous consent that this report be printed in full in the RECORD.

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

REPORT TO THE CONGRESS: INTERIM REPORT ON THE COMMODITY EXCHANGE AUTHORITY AND ON COMMODITY FUTURES TRADING

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C.

To the President of the Senate and the Speaker of the House of Representatives:

This is our interim report on the Commodity Exchange Authority, Department of Agriculture, and on commodity futures trading.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are continuing our review of the operations of the Commodity Exchange Authority and plan to issue a final report when our work is completed.

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of Agriculture.

ELMER B. STAATS,
Comptroller General of the United States.

DIGEST: COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

WHY THE REVIEW WAS MADE

In 1973, agricultural commodity prices increased to record highs causing prices paid for food by American consumers to rise drastically.

Because of the key role commodity futures markets play in establishing commodity prices, the Congress has become concerned as to how effective Agriculture's Commodity Exchange Authority (CEA) has been in supervising commodity exchanges and traders.

There also is concern as to whether additional statutory authority is needed to strengthen this supervision.

Trading in commodity futures is the buying and selling of contracts at fixed prices for delivery of commodities at some future time.

GAO has undertaken a comprehensive review of CEA operations. This is an interim report containing GAO's preliminary observations based on a survey of CEA and recent legislative developments.

FINDINGS AND CONCLUSIONS

Legislative matters

Several major bills affecting futures trading were introduced in 1973 in the Congress. These addressed questions as to

Where regulation of trading in futures belongs in the Federal bureaucracy, and

The need to expand the Government's authority in order to regulate this trading effectively.

Where does regulation of futures trading belong?

This question arose because of concern in Congress regarding the ability of CEA to effectively regulate futures trading, which has had an unprecedented growth, and the need to instill fuller public confidence in this trading.

The Congress considered four alternatives:

Leave the authority in the Department as presently constituted;

Leave the authority in the Department but with independence from it in budgeting and staffing;

Create a new, independent agency; and

Make the authority a part of the Securities and Exchange Commission.

Creating an independent agency, separate from the Department, is the more appropriate alternative because:

It would remove any appearance of a conflict of interest:

Futures markets, vital to the country's economic well-being, should be regulated by a strong, independent agency; and,

Federal regulation could be extended to all types of futures trading encompassing commodities such as metals (copper and silver) and foreign currencies in which the Department has little or no expertise.

A potential conflict of interest exists if the authority remains in the Department because the Secretary is charged by law to influence and maintain the prices of many of the commodities traded in the futures markets.

Should CEA regulate trading in all futures contracts?

Trading in unregulated commodities has increased rapidly. In fiscal year 1973, about 5.8 million contracts (valued at $131 billion) were traded, almost double the number in the previous year. This growth has increased the need for better protection of unregulated commodity customers.

All futures trading should be regulated because individuals and firms who deal in unregulated commodity contracts deserve the same protection provided traders in regulated commodities. This includes:

Segregation of customers' funds, to guard against losses in the event of financial failures of brokerage firms;

Agency ability to investigate customer complaints of trading practices or unusual price fluctuations; and

Suspending or prohibiting individuals from trading who commit serious violations of the act.

Consistency in exchange operations and handling of customer accounts would also be provided.

Should trading by floor brokers for their own account be prohibited?

A floor broker is in the unique position of being able to trade for his own gain or loss on one trade and for a customer's gain or loss on the next. He may at times have a direct conflict of interest because he is in a position to take advantage of the most profitable transactions for himself.

To avoid this, CEA should be authorized to restrict or prohibit trading of floor brokers and Futures Commission Merchants (brokerage firms) for their own account while trading for the accounts of customers.

CEA also should be able to set different trading standards for different contract markets to avoid unwarranted restrictions on trading volume which could result in excessive price fluctuations.

Should CEA have authority to obtain injunctions or administer fines?

CEA can punish violators of the Commodity Exchange Act by issuing cease-and desist orders or suspending their trading privileges. But these actions generally are either too severe for the violations or too meaningless to act as a deterrent.

CEA should have authority to seek injunctions and to apply civil money penalities in order to effectively deal with, and deter, violations of the act.

Should the CEA have authority to establish margin requirements for futures trading?

This question has been the subject of much discussion stemming primarily from a misunderstanding of the purpose of commodity margin, and the concern that the amount of the margin affects speculation and prices.

Commodity margin is the amount of money which the buyer or seller of a futures contract deposits with its Futures Commission Merchant to guarantee performance on the contract.

Commodity exchanges should continue establishing commodity margin requirements on a day-to-day basis because CEA is not in a position to react as quickly as the exchanges.

CEA, however, should be given authority to establish margin requirements in emergency situations to facilitate orderly trading. CEA should study, in conjunction with the commodity industry, the feasibility of developing a margin formula or margin table as a guide for traders. This would provide CEA criteria by which to measure market operations.

Should CEA have authority to designate delivery points?

CEA officials have testified that inadequate delivery points—where commodities may be delivered in settlement of a futures contract—were a major problem and could cause erratic price fluctuations.

CEA should be authorized to require the exchanges to designate additional delivery points if necessary, or to designate the points if exchanges do not do so.

The exchanges, however, should continue to be primarily responsible for establishing delivery points because of their greater expertise.

Should registration and fitness checks be expended?

Only floor brokers and certain employees of Futures Commission Merchants such as officers or partners are required to register with CEA. They are given fitness checks to insure that only reputable people handle customer orders.

Individuals primarily involved in soliciting, accepting, or handling customers' orders, however, do not have to register. Consequently, CEA has no assurance that commodity customers are dealing with reputable brokerage representatives.

The Commodity Exchange Act should be amended to require registration of all people who handle commodity customer accounts and/or funds. (See p. 28.)

Administrative matters

CEA's task had become more difficult because the size of its staff had remained at about 165 while the volume and value of contracts traded had increased about 73 percent and 189 percent respectively from FY 1970 through FY 1973.

The Department did not request additional staffing until FY 1974 when prompted to do so by Congress. Lack of adequate staff has been a basic management problem.

Commodity exchange rule enforcement

CEA needs to be more aggressive in requiring exchanges to enforce

Rules concerning contract terms and trading; and,

Minimum financial requirement rules as approved by the Secretary of Agriculture.

Five years after the Commodity Exchange Act was amended requiring exchange self regulation the exchanges did not have enforcement programs acceptable to CEA.

CEA investigations

In 1965, GAO pointed out that CEA's trade practice investigations were inadequate to disclose or discourage abusive trade practices on the exchange floors.

In 1971, the Department's Office of Audit reported essentially the same deficiencies. These deficiencies continue.

Market surveillance

CEA has not regularly reviewed the adequacy of speculative trading and position limits, the primary purpose of which is to curb trading of individuals whose trades or positions might cause sudden, unreasonable, or unwarranted price fluctuations.

Registration and audit activities

CEA's regional professional staff spends about 25 percent of its time performing routine audits of Futures Commission Merchants to insure that customer funds are properly segregated from FCMs' funds and that FCMs meet minimum financial requirements. This audit function is vital to insure that customers' funds are adequately protected.

If CEA placed the primary responsibility for audits with the exchanges, CEA could function more meaningfully as an overseer and could also be more effective in other ways.

RECOMMENDATIONS

The Secretary of Agriculture should direct the Administrator, CEA, to

Give exchanges a time limit for implementing CEA's regulation on self-enforcement of trading rules, list penalties if deadlines are not met, and aggressively monitor the exchanges' enforcement programs.

Establish standards for exchanges enforcement of financial requirements and state penalties to be imposed for failure to meet the standards within a specified period.

Investigate trade practices to seek out abusive practices on a planned high priority basis.

Regularly review adequacy of or needs for speculative trading and position limits on regulated commodities.

Consolidate guidance documents on price manipulation investigations and make them available to its regional offices.

Consider giving exchanges primary responsibility for audits of Futures Commission Merchants.

AGENCY COMMENTS

The Administrator, CEA, orally agreed in general with these recommendations and said additional staff had been requested to help alleviate the problems. He pointed out, however, that conducting trade practice investigations as recommended by GAO would require considerable effort. Even with increased staffing, higher priority work might preclude such investigations.

The CEA Administrator disagreed with GAO's recommendation to consider giving exchanges primary responsibility for audits of Futures Commission Merchants with CEA exercising a strong oversight role.

GAO plans to comment further on these matters in its final report.

MATTERS FOR CONSIDERATION BY THE CONGRESS

On April 11 the House of Representatives passed and sent to the Senate H.R. 13113. This provides for a commodity futures trading commission in the Department with independence in staffing and funding.

To remove any appearance of conflict of interest and to instill full public confidence, the Congress should establish an independent agency, separate from the Department, to regulate all futures trading.

Also, if the Government is to regulate futures trading effectively, Congress should amend the Commodity Exchange Act to provide authority for:

Regulating all futures trading.

Restricting trading of floor brokers and Futures Commission Merchants for their own account while trading for accounts of customers.

Seeking injunctions and imposing civil money penalties.

Establishing margin requirements in emergency situations only.

Requiring exchanges to designate additional delivery points or designating such points if the exchanges do not.

Extending registration requirements to all people handling customer accounts and/or funds.

H.R. 13113 would generally provide the above regulatory authority, except for the authority to establish margin requirements in emergency situations.

CHAPTER 1: INTRODUCTION

The Commodity Exchange Act (CE act), as amended (7 U.S.C. 1), authorizes the Secretary of Agriculture to regulate trading in contracts for future delivery of certain specified agricultural commodities on boards of trade (commodity exchanges) designated as contract markets. (A list of the commodities regulated under the act is shown in app. I.)

In 1973, agricultural commodity cash and futures prices increased to record highs. This, in turn, caused the prices paid by the consumers for food to increase drastically. These increases were precipitated by an unusual number of diverse occurrences, such as unanticipated foreign purchases of U.S. commodities, adverse weather conditions which affected crop production worldwide, and two successive devaluations of the U.S. dollar.

Because of the large increases in commodity prices and the role played by the commodity futures markets in establishing such prices, there has been an increasing awareness and use of these markets by businessmen and the general public. As a result, the number and value of transactions on the nation's commodity exchanges have increased substantially from year to year. Trading activity in regulated and unregulated commodities in 1972—15.5 million contracts (valued at $189 billion)—was more than three times the level 10 years earlier. Fiscal year 1973 trading activity totaled 23.6 million contracts (valued at almost $400 billion)—more than 50 percent higher than the activity in the previous year.

The Congress has expressed concern over the increase in futures prices and in futures trading in general. Several major bills affecting futures trading have been introduced in both the Senate and the House, but, as of April 1974, none had been enacted into law. Hearings involving futures trading were held in 1973 and 1974 by the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations; the Subcommittee on Special Small Business Problems of the House Select Committee on Small Business; and the House Committee on Agriculture. Several Members of Congress have expressed concern over such matters as the Department of Agriculture's effectiveness in supervising commodity exchanges and traders, whether the Department needs additional statutory authority, and the effect of commodity exchanges and trading on food prices.

This interim report contains preliminary observations based on our survey of operations of the Commodity Exchange Authority (CEA) and on recent legislative developments affecting CEA. We are continuing to examine CEA operations and will issue a final report when our review is finished. We previously isued a report on CEA entitled "Need to Strengthen Regulatory Practices and Study Certain Trading Activities Relating to Commodity Futures Markets" (B-146770, July 16, 1965).

In evaluating CEA's current policies, procedures, and practices in carrying out its responsibilities under the law, we are doing work at the CEA headquarters office in Washington, D.C., and its regional offices in New York City, Chicago, and Kansas City. Also, we are interviewing officials of, and obtaining information from, the following commodity exchanges: Chicago Board of Trade; Chicago Mercantile Exchange; New York Mercantile Exchange; New York Cotton Exchange and Associates; and the Board of Trade of Kansas City, Missouri, Inc. To help us in our study we hired three consultants with expertise in the operations of the futures market.

RESPONSIBILITIES UNDER THE COMMODITY EXCHANGE ACT

The major responsibilities of the Secretary of Agriculture in regulating and supervising the commodity exchanges and futures trading are to:

Prevent commodity manipulation and market corners in both cash and futures markets.

Curb excessive speculation by large traders, which results in unwarranted changes in price.

Prevent dissemination of false and misleading crop and market information affecting commodity prices.

Protect users of the commodity futures markets against cheating, fraud, and other abusive practices.

Insure the benefits of membership privileges on contract markets to cooperative associations of producers.

Provide minimum financial standards for brokerage firms and safeguard margin moneys and equities of other traders to prevent misuse of such funds by futures commission merchants.

Designate contract markets and register brokerage firms and floor brokers.

Provide information to the public regarding trading operations and contract markets.

Insure enforcement of contract markets' rules on contract terms and other trading requirements and on minimum financial standards and related reporting requirements approved by the Secretary of Agriculture.

The Secretary of Agriculture established CEA to administer the CE act, and gave CEA all his authority under the act, except for his authority to (1) approve commodity exchanges to trade in futures contracts for regulated commodities, (2) promulgate regulations, and (3) conduct disciplinary proceedings for apparent violations of the CE act or regulations. The Secretary, or his designee, serves as Chairman of the Commodity Exchange Commission, which was established by the CE act and which includes the Secretary of Commerce and the Attorney General, or their designees. The Commission is authorized to establish limits on speculative trading in regulated commodities and to order disciplinary action against commodity exchanges that trade futures contracts in regulated commodities.

DEFINITION AND PURPOSES OF FUTURES TRADING

Futures trading consists of buying and selling contracts for delivery in some future month of certain quantities of specified com-

modities at fixed prices. The physical commodity itself is not bought and sold on the futures markets, however, these markets play an important role in the marketing of the physical commodities. The primary purpose of the futures market is to help establish prices for commodities and to permit members of the trade to hedge or protect themselves against major losses in the event of adverse price movements for the physical commodities in the cash market.

Hedging

The futures market provides a means whereby producers, merchandisers, and processors can transfer at least some of the risks of adverse price movements of the physical commodity to speculators. This process is known as hedging. The hedger, unlike the speculator, has a financial interest in a commodity. That is, the hedger owns or has a firm commitment to buy a quantity of the physical commodity or has a future need for the commodity. There are two types of hedge used in the futures market, the buying (long) hedge and the selling (short) hedge.

The buying hedge consists of buying futures contracts for quantities of the commodity approximately equal to the quantity of the physical commodity needed to fulfill future processing requirements or other commitments. This hedge may be used by flour millers and cattle feeders or by grain merchants having firm cash sales commitments for future delivery which are in excess of inventories. The buying hedge protects the hedger from any future advances in the price of the commodity on the cash market and allows him to project his materials costs and price his product with the lowest possible profit margins.

The selling hedge consists of selling futures contracts for quantities of the commodity approximately equal to the quantity of the physical commodity owned and/or firmly committed to be purchased. This hedge may be used by farmers or by grain merchants having inventories which are not committed in the cash market. The selling hedge, therefore, provides the hedger with a guaranteed price for his inventory and protects the value of his inventory from any future decline in the price of the commodity on the cash market. A second advantage of the selling hedge is that lending institutions normally will loan a higher percentage of the estimated value of the inventory if it is protected by a selling hedge.

Speculating

The speculators in the futures market do not own or deal in the physical commodities in which they trade. These traders hope to realize a profit by assuming the risks of price fluctuations which the hedgers seek to avoid. The speculator buys futures contracts when he thinks prices are too low and sells futures contracts when he thinks prices are too high. The speculators are considered by the futures trading industry to be an integral part of the futures market because the additional volume of trading generated by the speculators reduces the price disturbances which can result from placement of hedges for any large quantities of a commodity and improves the possibilities of effecting a transaction for a hedge order limited to a specific price.

COMMODITY EXCHANGES

The primary responsibility of a commodity exchange is to insure a competitive market free of attempts at price manipulation. The exchanges are generally responsible for developing and enforcing trading rules; establishing contract terms, including delivery months; supervising traders and trading; establishing margin requirements, brokerage fees, and commissions; establishing price fluctuation limits (the permissible price change during the day); and inspecting all commodities tendered for delivery. The exchange may also establish limits on speculative trading.

The Secretary must designate an exchange as a contract market for a regulated commodity before the exchange can engage in futures trading in that commodity. To be designated a contract market, the exchange must maintain certain records and file reports, as prescribed by the Secretary; prevent dissemination of false, misleading, or inaccurate commodity information; prevent manipulation of prices and the cornering of any commodity; comply with the Secretary's final orders and decisions concerning violations of the CE act; and enforce exchange trading rules and contract terms.

As of October 1973, 18 commodity exchanges had been approved by the Secretary to trade in futures contracts for 1 or more of the 25 regulated commodities. These exchanges had a total of 90 approved contract markets, however, only 10 exchanges and 31 contract markets were actively trading at that time. Appendix I shows the status of exchanges and contract markets as of October 1973.

The CE act specifies that any individual, association, partnership, corporation, or trust (1) soliciting or accepting orders to buy and sell regulated commodity futures and (2) accepting any money, securities, or property or extending credit to margin trades on contracts must register each year with CEA as a futures commission merchant (FCM). FCMs are more commonly referred to as brokerage firms. An FCM charges a commission for filling customers' orders.

Futures contracts are bought and sold on the trading floor of the exchange by a floor broker, who may buy or sell futures contracts for others, for his own account, or for an account which he controls. He may trade on a commission basis for more than one FCM or for other exchange members or may be compensated as an employee or as an official of an FCM. Floor brokers must register each year with CEA. A floor trader may buy or sell contracts only for his own account and is not required to be registered with the CEA.

CHAPTER 2—REGULATION OF FUTURES TRADING: WHERE DOES IT BELONG IN THE FEDERAL BUREAUCRACY?

This question arose because of the Congress' concern regarding the ability of CEA to effectively regulate futures trading, which has had an unprecedented growth, and the need to instill the fullest public confidence in such trading. The Congress has considered four alternatives: (1) leave the authority in the Department as presently constituted, (2) leave the authority in the Department but with independence from the Department in budgeting and staffing, (3) create a new, independent agency, or (4) make the authority a part of the Securities and Exchange Commission (SEC).

The idea of giving the futures trading authority to SEC was rejected by the House Committee on Agriculture and others as having little advantage and many disadvantages. The principal advantage was that SEC has an existing regulatory structure and is supervising some brokerage firms that also trade in the commodity futures markets. The overriding disadvantage was the pronounced difference between CEA and SEC in fundamental orientation and purpose, which would pose different regulatory problems. For example, a futures contract is not a security; hence, the laws applicable to securities would not apply to futures contracts.

One of the principal views discussed was to leave the authority in the Department but with independence from the Department in budgeting and staffing. This concept was incorporated in H.R. 11955 (93d Cong. 1st sess.) on which extensive hearings were held in January 1974. On the basis of these hearings, a new bill, H.R. 13113, was introduced in February 1974. On April 11, 1974, the House passed H.R. 13113, and forwarded it to the Senate for consideration. This bill would create a new five-member regulatory commission within the Department to be called the Commodity Futures Trading Commission. The Secretary of Agriculture or his designee would be a permanent member of the commission, and all authority under the CE act and all existing CEA employees would be transferred to the new commission. Commission budgets would be prepared independently and forwarded to the Secretary of Agriculture solely for transmittal with the Department's budget request, but would not be subject to the Secretary's approval.

These provisions apparently are intended to allow the commission to be independent in budgeting and staffing but still have the Department's technical and administrative experience and support. The structure of this proposed futures trading authority appears to be an improvement over that of CEA because the authority would no longer be subject to the Department's staffing and funding restrictions.

The Department and six of the exchanges testified in favor of leaving CEA, without independent budgeting and staffing, in the Department, primarily because the Department has much experience in supervising the futures markets and because most futures trading is in agricultural commodities.

Certain Members of Congress and persons knowledgeable in the futures market favor the independent agency concept. Four major legislative proposals concerning futures trading authority called for an independent agency. Our view is that an independent agency would be a more appropriate solution. Our principal reasons for advocating an independent agency rather than leaving the authority in the Department follow:

1. In the past, the Congress has established independent commissions, such as SEC, the Interstate Commerce Commission, and the Federal Communications Commission, to perform primarily regulatory functions. At present, the Congress is considering legislation to separate the regulatory function from the research and development activities of the Atomic Energy Commission, primarily to minimize potential conflicts of interest.

Also, the National Transportation Safety Board, which was established as an independent agency within the Department of Transportation, has apparently experienced some problems in its efforts to function independently. The Congressional Record of September 11, 1973, stated that the administration had tried to intervene in the Board's affairs and to exert undue pressure on it.

In 1971 and 1972, the Board itself asked for new legislation to make it completely independent of the Department of Transportation. The Board pointed out that its status within the Department has been misunderstood by the media, the public, and other Government agencies who assumed that the Board was not independent but a subordinate part of the Department even though the law (49 U.S.C. 1654) clearly stated that "In the exercise of its functions, powers, and duties, the Board shall be independent of the Secretary and the other offices and officers of the Department." Bills have been introduced in the House and Senate calling for a completely independent National Agency for Transportation Safety to replace the National Transportation Safety Board.

A potential conflict of interest would exist if the proposed commission were in the Department of Agriculture with the Secretary, or his designee, as a permanent member, because the Secretary is charged by law to influence and maintain the prices of many of the commodities traded in the futures markets. Also, the Department needs the cooperation of many commercial firms to perform some of its assigned tasks, such as disseminating market news and promoting exports. These same firms use futures markets and are subject to CEA regulations. Removing any appearance of conflict of interest is necessary to instill the fullest public confidence.

2. Extending Federal regulation to all futures trading would encompass many commodities other than agricultural, such as metals (copper and silver) and foreign currencies. It is also expected that noncommodities, such as ocean freight, residential mortgages, and others soon will be traded in the futures markets. Because the Department has little or no expertise regarding many of these items and because of the anticipated increase in futures trading in nonagricultural areas, it is at least questionable whether the proposed commission should be in the Department.

3. One of the principal arguments advanced by the proponents of Departmental control is that the Department's long and valuable experience in supervising the futures markets would be retained. We do not believe this is a valid argument because present CEA employees would be transferred to the new commission. This experience could remain intact no matter where the trading authority was placed in the Federal structure. Moreover, the law could specifically provide that the Department and any other Government agency which has information which might affect the orderly trading of futures contracts immediately report such information to the commission.

Because the futures markets play a vital role in the economic well-being of our country and to instill the fullest public confidence, the markets should be regulated by a strong and prestigious agency. In June 1973, a CEA management study team reported that CEA was having difficulty retaining its personnel and that the present grade and salary structure might be adversely affecting the recruitment and retention of qualified staff.

The top positions in CEA's grade structure are among the lowest of the Department's agencies and as much as three grades lower than the top positions of many of the independent regulatory agencies. For example, SEC's top position is three levels higher than CEA's.

An independent agency with a higher grade structure should be created to regulate futures trading and to facilitate the hiring and keeping of the high quality employees necessary to build a good reputation and instill public confidence in futures trading.

MATTERS FOR CONSIDERATION BY THE CONGRESS

To remove any appearance of conflict of interest and to instill the fullest public confidence, the Congress should establish an independent agency, separate from the Department, to regulate all futures trading.

CHAPTER 3: SOME QUESTIONS ON THE NEED TO STRENGTHEN REGULATION OF COMMODITY EXCHANGES AND FUTURES TRADING

Several major bills to strengthen the regulation of commodity exchanges and futures trading have been introduced in the Congress. All of the bills are addressed to several major questions primarily concerning the need to expand the Federal Government's authority to effectively regulate futures trading. Our observations on some of these questions follow.

SHOULD CEA REGULATE TRADING IN ALL FUTURES CONTRACTS?

In recent years, activity in the nonregulated futures markets has been increasing rapidly, just as it has been in the regulated markets. One of the best indicators is the number of contracts traded. (See table.)

The estimated dollar value of the 5.8 million contracts for nonregulated commodities traded in fiscal year 1973 was $131 billion, compared with $268 billion for regulated commodities during the same period.

Both exchange and CEA officials have estimated that the futures markets will continue to increase in value and volume in the coming years. Exchange and other knowledgeable officials said that new contract markets were planned to be established soon in such areas as ocean freight rates, mortgages, and possibly petroleum products.

Views of agency, exchanges and other officials and our evaluation

For the past 2 years CEA has proposed that the CE act be amended to bring all futures trading under Government regulation. The two largest exchanges—the Chicago Board of Trade and the Chicago Mercantile Exchange, both of which deal in regulated and unregulated commodities—strongly favor the Government's regulating all futures trading. Two reasons are that it would increase public confidence by providing better protection to individual traders in unregulated commodities and would provide consistency in exchange operations and handling of customer accounts.

FUTURES CONTRACTS TRADED

[In thousands]

Commodity group	Fiscal year— 1973	1972
Total regulated commodities	17,821	12,577
Nonregulated agricultural and forest commodities:		
Broilers, iced	141	29
Cocoa	394	217
Coffee	133	(1)
Fishmeal	10	(1)
Lumber	125	69
Plywood	275	160
Pepper	-	2
Sugar	1,093	693
Tomato paste	-	(1)
Total	2,171	1,170
All other nonregulated commodities:		
Copper	440	221
Diamonds	3	1
Foreign currencies	306	57
Mercury	-	(1)
Palladium	1	(1)
Platinum	153	139
Propane gas	4	1
Silver	2,562	1,378
Silver coins	169	37
Tin	-	(1)
Total	3,638	1,834
Total nonregulated commodities	5,809	3,004
Total	23,630	15,581

[1] Less than 500 contracts traded.

The National Grain and Feed Association, which, nationwide, represents every aspect of the grain and feed industry (elevators, exporters, feed manufacturers, millers, and processors), supports Federal regulation of all futures trading. Association spokesmen stated in congressional testimony that the grain markets have flourished under Federal regulation and that unregulated markets have nothing to fear and everything to gain from such regulation. They cited two cases which they said underline their reason for favoring Federal regulation.

One case in 1972 concerned the extensive fraudulent practices by sellers of commodity options, which are rights to buy and/or sell futures contracts at prevailing prices within a specified time. Such options were traded only in unregulated commodities because they are prohibited for regulated commodities by the CE act. According to the spokesmen, this prohibition has been fully supported by the grain industry.

The second case referred to price behavior in futures contracts expiring in 1973. In July 1973 the corn future expired with explosive price action. In March 1973 the coffee future in New York, after a precipitous price rise, declined the limit for 7 successive market days. The grain association representatives said they did not want to make an interpretation or allegation in either case but merely wanted to point out that CEA had the authority to make, and was making, an investigation of the corn price behavior but had no authority to investigate the coffee price behavior.

The only significant opposition to regulation of all futures trading was voiced in congressional testimony by the exchanges which trade in "world commodities" (commodities deliverable under futures contracts which are produced primarily in foreign countries). These commodities include coffee, cocoa, sugar, silver, and copper.

The principal arguments posed by these exchanges were that (1) because world commodities are produced almost entirely abroad, it is unnecessary and inappropriate for the Government to regulate them, and (2) the exchanges' self-regulatory programs have been tested over many years and have proved successful without additional governmental regulation. The exchanges expressed the view that Federal regulations would impair the orderly workings of the U.S. exchanges and would entail substantial costs for compliance; as a consequence, foreign exchanges would become more attractive to traders and cause many of them to divert their business from U.S. exchanges to foreign exchanges.

We believe that Federal regulation of trading in world commodities is necessary and appropriate if such commodities are traded on U.S. exchanges. Processors and other users of the futures markets in these commodities are entitled to the same protection as those who use futures markets in regulated commodities. We believe any loss of business caused by Federal regulation might be offset by new traders who would enter these world markets because of the increased public confidence brought about by Federal regulation.

Regulated commodity customers protected better

Customers trading in regulated commodities are better protected than those in nonregulated commodities. The CE act requires that regulated commodity customers' funds be segregated (a separate bank account must be maintained for customer funds) from the FCM's funds. Nonregulated-commodity customer funds, however, may be commingled with the FCM's funds. Thus, if an FCM fails financially, the nonregulated commodity customer is more likely to sustain a loss. For example, one FCM which petitioned for bankruptcy in 1970 had claims of about $740,000 filed against it. The attorney for the FCM said that about 90 percent of these claims had been filed by nonregulated commodity customers. Only 10 percent of the $740,000 had been paid as of December 1973.

Customers trading in regulated commodities can ask CEA to investigate complaints but customers in nonregulated commodities have no such recourse. At each of the three CEA regional offices several nonregulated-commodity customers complained to CEA but CEA could do nothing about their complaints. For example, a customer trading in sugar contracts alleged that his broker had initiated trades without proper authorization. He first complained directly to his broker but received no response. Then, in turn, he wrote the Chicago Mercantile Exchange (with a courtesy copy of the letter to the brokerage house involved), the New York Coffee and Sugar Exchange, the Better Business Bureau of Chicago, and the Chicago Tribune which referred the problem to SEC and CEA. Both exchanges, CEA, and SEC denied jurisdiction in the case. The complainant, therefore, had exhausted all possible sources of assistance, except legal action, without gaining any satisfaction.

A trader in regulated commodities who seriously violates the CE act or who has a history of fraudulent action may be sus-

pended from trading in regulated commodities. However, such individuals can continue to trade in nonregulated commodities. Thus, the public is not protected from dealing with traders of questionable character. For example, certain traders in regulated commodities on one exchange were prohibited from trading on all regulated contract markets for 2 years because they failed to meet minimum financial requirements prescribed by CEA and made false reports to CEA regarding such financial requirements. These individuals became large traders in nonregulated commodities in another city. As of March 1974, they were still trading in that city and have been severely criticized by traders and State investigatory agencies because of questionable trading practices.

On the basis of the foregoing discussion, we believe that the advantages of Federal regulation of all futures trading far outweigh the disadvantages. Several bills have been introduced in both houses of Congress to extend Federal regulation to all futures trading. We believe that the CE act should be amended to provide for such regulation. House bill 13113, 93d Congress, 1st session, would provide for regulation of all futures trading.

SHOULD TRADING BY FLOOR BROKERS AND FCM'S FOR THEIR OWN ACCOUNT BE PROHIBITED?

The trading of floor brokers and FCMs for their own account while trading for customers' accounts should be strictly regulated to avoid any possible conflicts of interest. Any member of a commodity exchange is entitled to trade futures contracts on the floor of the exchange for himself, a customer, or any other member of the exchange. He may be referred to as a floor broker, floor trader, scalper (one who trades in and out of the market on small price fluctuations), or position trader, depending on the type of trades he is making. We use the term "floor broker" to indicate any person who is buying and selling futures contracts on the exchange floor.

Although the floor broker's activities are subject to exchange and CEA rules, he is nevertheless in the unique position of being able to trade for his own gain or loss on one trade and for another person's gain or loss on the next trade. Thus, he may at times be directly competing with his own personal objectives.

In 1965, we reported to the Congress (see p. 8) that members of a commodity exchange who trade for their own accounts enjoy special privileges and advantages over the trading public. They are able to react instantly to market situations and to take prompt advantage by executing their own trades. In addition, the fees charged the broker for executing his trades are much less than the fees charged to the general public; thus, he can profit from smaller price changes.

There are very few floor brokers who do not trade for themselves. The exchanges, brokers, and FCMs contend that prohibiting brokers or FCMs from trading for their own account would materially reduce the market's liquidity to the extent that the market's normal functions would be adversely affected. (A market is considered sufficiently liquid when the number and volume of trades and traders is adequate to enable brokers to fill orders without significant price fluctuations.) They also contend that reduced liquidity would seriously affect the operations of smaller exchanges.

House bill 13113 would authorize establishing regulations to restrict or prohibit the trading of floor brokers and FCMs for their own accounts while trading for their customers' accounts. The bill provides that such regulations avoid undue restrictions on market liquidity and permit different trading standards to be set for different contract markets. For example, traders in large, active markets could be required by regulation to decide whether to trade only for their own accounts or for customers' accounts while traders in smaller, less active markets could be permitted to trade for both their own and customers' accounts. Also, a regulation similar to SEC's could be adopted. SEC does not permit a member of a national securities exchange to initiate, while on the exchange floor, any transaction in any security trading on the exchange for any account over which he has discretion or in which he has an interest.

We believe that, if such regulations were established and properly implemented, they would provide the necessary conditions to safeguard the customers' interest and provide sufficient liquidity for the smaller exchanges. The Department also favors the regulation of trading of floor brokers and FCMs for their own account.

Some knowledgeable officials stated that rules governing floor brokers trading for their own accounts were already being adequately enforced because of (1) the exchanges' own enforcement procedures and (2) the self-policing nature of floor trading whereby brokers realize that their livelihoods depend on honest dealings with each other.

However, as discussed in the following chapter on p. 32, some exchanges have not established continuous programs to enforce their trading rules; CEA's enforcement of those self-regulation programs that do exist has not been aggressive; and CEA's program to investigate trading practices has not been adequate to deter abusive practices.

We believe the CE act should be amended to give CEA authority to (1) restrict the trading of floor brokers and FCMs for their own accounts while trading for customers' accounts, and (2) establish the terms and conditions for such trading on the different markets.

SHOULD CEA HAVE AUTHORITY TO OBTAIN INJUNCTIONS AND/OR ADMINISTER FINES?

To do its job effectively, CEA must be able to identify and deter violations of the CE act. Although CEA can punish violators in several ways, we believe the penalties are generally either too severe for the violations or too meaningless to act as a deterrent. Additional enforcement authority is needed.

Injunctive authority

CEA takes the position that the Congress has never specifically authorized injunctions and that, without specific legislative authority, CEA will not seek injunctions from the courts. In 1969, 1970, and 1973, the Administrator, CEA, recommended to the Department that the CE act be amended to authorize the Secretary to obtain district court injunctions through the Department of Justice. He said this would enable CEA to move rapidly and effectively to protect the public against cheating, fraud, and mishandling of funds. For example, CEA could obtain an injunction prohibiting a brokerage firm that was insolvent or that failed to meet minimum financial requirements from accepting orders and funds from new customers until it met the requirement. Without injunctive authority CEA could either issue a cease and desist order, which might not prevent the firm from accepting new customers, or suspend the firm from trading which might put it out of business. House bill 13113, 93d Congress, 1st session, would provide for injunctive authority.

Civil penalties

Although injunctive authority would give CEA a way to stop or prevent violations or limit their impact, an intermediate action is also needed. Penalties available to CEA range from suspension or revocation of trading privileges—tantamount to putting some firms out of business—to cease-and-desist orders which, in effect, may have little impact. If, however, a cease-and-desist order were accompanied by an appropriate fine, the penalty might have a deterrent effect. Likewise, when suspension of trading privileges for a period of time would not have any substantial effect, an accompanying fine might. For example, if a broker was found to have committed trading practice violations and was suspended for a short time, he might merely arrange to take his vacation to coincide with his suspension. Thus, the suspension would have little effect, but it could have a significant effect if accompanied by a fine. House bill 13113 would provide for money penalties up to $100,000.

In 1973 the CEA Administrator recommended to the Department that the CE act be amended to authorize civil money penalties for violations.

In testimony at congressional hearings in late 1973 and early 1974 some of the witnesses opposed injunctive authority if CEA would use it on the basis of CEA's ability to foresee or predict market action or price change—such as preventing a trader from maintaining or increasing his share of the outstanding contracts because CEA believes that such actions might have an undue effect on price. Some had no objection to injunctive authority if it was to be applied to identifiable violations of the statute or regulations. Most parties did not object to amending the CE act to provide for civil penalties (fines) in administrative proceedings, provided that these fines were limited by statute.

Being able to impose civil money penalties and to obtain injunctions would allow CEA greater flexibility in enforcing the rules and regulations. We believe the CE act should be amended to give CEA such authority.

SHOULD CEA HAVE AUTHORITY TO ESTABLISH MARGIN REQUIREMENTS FOR FUTURES TRADING?

The need for CEA or another Federal agency to have authority to establish commodity margin requirements has been the subject of much controversy and misunderstanding, primarily because commodity margins have been compared with security margins, when, in fact, they are not comparable. Commodity margin is the amount of money which the buyer or seller of a futures contract deposits with its FCM to guarantee performance on the contract. The margin is required to protect the FCM against losses incurred by a customer due to adverse price movements. It is not a partial payment on the futures contract. The FCM has to make settlement each day for profits or losses incurred by its customers. The margin money, plus or minus any gains or losses on the customer's trades, is returned to the customer when his account is closed. In a normal market, commodity margins are generally less than 10 percent of the value of the contracts bought.

Security margin is directly related to the amount of credit a broker is permitted to extend to customers for buying securities. This amount of credit is regulated by the Board of Governors of the Federal Reserve System and is 50 percent or more of the value of the securities bought. A securities transaction using margin establishes a debtor-creditor relationship for the amount of the loan, and the customers' cash downpayment is equated to the customer's equity in the security.

Purpose of regulation

Those who advocated Government regulation of commodity margins did so in the belief that raising margins would help control speculation in the futures market and thus keep commodity prices from rising as drastically as they did in 1973. However, as shown in Department studies and in expert testimony, higher margins could interfere with the hedging function of the futures market and could increase the cost of merchandising and processing inventories.

In 1967 a report on margins speculation and prices in grain futures markets was prepared by a private research firm under contract with the Department's Economic Re-

search Service. The study concluded that, given the present state of market data collection and analysis, CEA would find it difficult to determine whether, when, and how to apply margin controls to limit price volatility and that CEA could have numerous and important administrative problems if it were to administer margin controls.

In 1973 the commodity futures markets experienced an unprecedented volume of trading at record prices. For example, the futures price for soybeans to be delivered in July 1973 increased from $4.20 a bushel in January 1973 to $12.90 a bushel in June 1973. The futures price for wheat to be delivered in December 1973 ranged from $1.97½ bushel in March 1973 to $5.78 a bushel in December 1973. These increases were precipitated by an unusual number of occurrences, such as unanticipated foreign purchases of U.S. commodities, adverse weather conditions which affected crop production worldwide, and two successive devaluations of the U.S. dollar—all of which happened about the same time.

Subsequently, because of concern over fluctuating commodity prices, hearings were held to determine what to do to strengthen the regulation of the futures markets. One tool considered was to provide the Government with statutory authority to set margin requirements and thus provide the means to limit speculative activity.

Testimony indicated that the exchanges could react more quickly and appropriately than CEA to the daily price changes that were occurring. The testimony emphasized that the purpose of margins was to safeguard FCMs and guarantee contract performance but not influence the level of participation in the market. The testimony pointed out that speculators were needed to provide the liquidity necessary for an efficient futures market.

Hedging on the futures markets gives the grower, shipper, merchant, and manufacturer the opportunity to reduce their marketing costs. Because an imbalance exists between hedgers wishing to buy or sell futures contracts, speculators are needed to take the opposite position and assume the risk of price movements. If speculators are discouraged from trading because margins are raised, commercial firms' ability to use the futures markets could be limited. This could cause financing problems for those firms because banks are less likely to grant credit if inventories are not hedged.

The exchanges, therefore, should continue to determine their margin needs on a day-to-day basis because the Government does not have the capability or expertise to establish and monitor margins without spending a large amount of manpower and funds. However, certain alternatives should be pursued in an effort to quiet the uncertainty surrounding commodity margins.

Alternative proposals

One alternative would be to identify those factors which the exchanges consider and evaluate in establishing and adjusting their margin requirements. Testimony by National Grain and Feed Association representatives before the House Committe on Agriculture in October 1973 pointed out that a careful study would reveal safe margin levels to be a function of current price trading conditions. They suggested that exchanges develop margin formulas or tables specifying the margin level according to price level, price volatility, trading volume, and whatever additional influences were deemed significant. Such tables would be submitted to CEA for approval. Association representatives stated that such a formula or table for each commodity would put all traders on notice of any automatic margin changes which would go into effect under given circumstances and would preclude any complaints about discriminatory margin changes. The CEA Administrator agreed that margin tables have definite merit and said the matter should be studied. Conversely, however, the President, Chicago Board of Trade, did not believe margin tables were practicable because he could not see how the table could adequately recognize the many factors considered in changing margins.

A second alternative would be to give the Government authority to establish margin requirements in emergency situations, such as war and export embargoes. Certain safeguards would be established to prevent the Government from being involved with the normal margin requirements for day-to-day operations and to identify more specifically what constitutes emergency situations.

We believe that the commodity exchanges should continue to establish commodity margin requirements on a day-to-day basis because CEA is not in a position to react as quickly as the exchanges and does not have the capability or expertise to establish and monitor margin requirements without spending a large amount of manpower and funds. We believe, however, that the CE act should be amended to give CEA authority to establish margin requirements in emergency situations to facilitate orderly trading in or liquidation of any futures market. We believe also that CEA should study, in conjunction with the commodity industry, the feasibility of developing a margin formula or margin table which would be a guide to margin requirements for traders and which would provide CEA with criteria by which to measure market operations.

SHOULD CEA HAVE AUTHORITY TO DESIGNATE DELIVERY POINTS?

The number of locations where a commodity may be delivered to fulfill a futures contract must be adequate to prevent unusual market situations. Price distortion, manipulation, and control, which are detrimental to the public interest and the national economy, are made easier, and in some cases encouraged, when a futures contract calls for delivery at a point or points which are no longer centers for trading in the cash commodity deliverable on that contract.

During recent years the production of certain commodities, such as soybeans and corn, has increased significantly as has the volume of futures trading. Despite these increases the number of delivery points for certain commodities on futures contracts has not changed. The number of approved delivery points can vary significantly depending on the commodity. For example, as of September 1973, corn and soybeans had only 1 delivery point while eggs had 175.

In August 1973 two associate professors at Iowa State University submitted a proposal to CEA and the Chicago Board of Trade that additional delivery points for corn and soybean contracts be established to facilitate deliveries. At the time, Chicago was the only approved delivery point for corn and soybeans. The proposal cited a recent example of where delivery problems affected the cash-futures price relationship and caused an expiring corn futures contract to close at $1.13 ¼ per bushel above the closing Chicago cash price, where normally the two should have been about the same. Several Iowa grain elevator operators verified that it had been difficult if not impossible to deliver corn and soybeans on futures contracts at that time because of full warehouses in Chicago, heavy Chicago export movement, and congestion in the railroad system. It was not until February 1974 that Toledo, Ohio, and St. Louis, Missouri, were designated by the Chicago Board of Trade as additional delivery points for corn and soybeans. As of March 1974, this designation was awaiting CEA approval.

Another example of exchanges' delay in establishing needed delivery points involved wheat on the Chicago Board of Trade. A CEA central region official told us that an apparent price manipulation in the May 1971 wheat futures contract, on which CEA issued a complaint in June 1972, was aided by a Chicago-only delivery point. As of April 1, 1974, administrative action on the case was still pending. In a much earlier case, a price manipulation in the May 1963 wheat futures contract was made possible because Chicago was the only delivery point. The principal problem resulting from having only one delivery point is that it makes control of the deliverable supply easier and makes it difficult, if not impossible, for sellers to deliver on their contracts. The CEA official stated that only after about 2 years of negotiations between CEA and the Chicago Board of Trade did the board add a second delivery point for wheat in 1972.

In August 1972, a CEA official testified before the Subcommittee on Domestic Marketing and Consumer Relations, House Committee on Agriculture, that too few delivery points or improper delivery points, together with restricted storage or holding capacity, could result in market congestion or arbitrary supply conditions which, in turn, could create erratic price fluctuations. More recently, in October 1973, the CEA Administrator testified before the House Committee on Agriculture that the failure of some exchanges to provide adequate delivery provisions was a major problem in the commodity futures industry.

The commodity exchanges have full responsibility for designating delivery points, subject to the approval of the Secretary of Agriculture. Extensive research is involved in determining delivery points, such as determining whether an area has adequate facilities, accessibility, transportation outlets, proper financing and insurance, and other essential characteristics. Because exchanges have gerater expertise and flexibility than CEA in doing such research, we believe they should continue to be primarily responsible for designating delivery points. Because of the importance of sufficient delivery points, however, we believe the CE act should be amended to authorize CEA, after a need is determined, to require the exchanges to designate additional delivery points or to designate the points if the exchanges do not do so. House bill 13113 would provide for such authority.

SHOULD REGISTRATION AND FITNESS CHECKS BE EXPANDED TO INCLUDE ALL PEOPLE WHO HANDLE CUSTOMERS' FUNDS OR ACCOUNTS?

The CE act requires only floor brokers and certain employees of FCMs, such as officers or partners, to register with CEA. Registrants are given fitness checks to insure that only reputable people handle customer orders. However, commodity futures representatives, the individuals primarily involved in soliciting, accepting, or handling customers' orders, do not have to register. Consequently, CEA has no assurance that commodity customers are dealing with brokerage representatives of good character.

The Chicago Board of Trade and the Chicago Mercantile Exchange require employees of member FCMs to register with them before they solicit or handle customer orders. Officials of the exchanges told us that each of their exchanges had over 20,000 registered commodity representatives. Also, both exchanges subject applicants to fitness checks which normally include reviews of court and credit records. In contrast, CEA fitness checks may include reviews of investigative records maintained by the Department, SEC, and the Federal Bureau of Investigation, which are not available to private investigative organizations.

Other exchanges have only limited requirements or none at all. For example, the Mid-America Commodity Exchange requires registration only for clearing members' repre-

sentatives and does not subject them to fitness checks. The Minneapolis Grain Exchange, the New York Mercantile Exchange, and the New York Cotton Exchange have no registration requirements for commodity futures representatives. Thus, it is evident that a person of undesirable character could be employed as a futures representative by a member of an exchange that does not require registration and/or fitness checks.

The CEA Administrator and representatives of the two largest exchanges testified in October 1973 before the House Committee on Agriculture that they favoring having CEA expand its registration and fitness check program to include all individuals handling commodity customers' accounts. The CEA Administrator also said:

"There is a need to keep all unfit persons from handling customers' accounts and this can best be done through a registration and fitness program. It has been the CEA's experience that dishonest individuals go from one brokerage firm to another. Often they are hired without the brokerage firm having any knowledge of their unsavory background. If the CEA is to give real protection to traders in the markets, it should have this authority."

In addition, CEA, by letter dated August 16, 1973, recommended to the Department that, in its 1974 legislative program for the Congress, it include a proposal that brokerage firm employees handling customers' accounts be required to register with CEA and that the Secretary of Agriculture be given the authority to deny, suspend, or revoke such registrations.

We believe that, to insure that commodity customers deal with reputable people, the CE act should be amended to extend the registration requirements to all people who handle customer accounts. House bill 13113 would provide for such extension of the registration requirements.

On March 22, 1974, the CEA Administrator pointed out a possible problem in making future fitness checks. He told us that the Department of Justice had proposed legislation which would deny access to criminal justice information to noncriminal justice agencies. He said that if this legislation, known as the "Criminal Justice Information Systems Act of 1974," is passed, it would seriously impair the effectiveness of CEA's fitness program.

MATTERS FOR CONSIDERATION BY THE CONGRESS

If the Government is to effectively regulate futures trading, the Congress should amend the Commodity Exchange Act to provide authority to

Regulate all futures trading.

Restrict trading of floor brokers and FCMs for their own account while trading for customers' accounts.

Seek injunctions and impose civil money penalties.

Establish margin requirements in emergency situations only.

Require exchanges to designate additional delivery points or to designate such points if the exchanges do not do so.

Extend registration requirements to all people handling customer accounts and/or funds.

CHAPTER 4. PRELIMINARY OBSERVATIONS ON CEA OPERATIONS

CEA's responsibilities include (1) commodity exchange rule enforcement and CEA investigations, (2) market surveillance and economic analyses, and (3) registration and audit activities. Our preliminary observations and specific suggestions on these CEA operations are included in this chapter.

One of the basic problems underlying CEA's management deficiencies is the lack of adequate staff. CEA's task has become more difficult because the size of its staff has remained about the same while the volume and value of futures trading has increased tremendously in recent years, as shown in the following table.

Fiscal year	Number of employees (end of year)	CEA appropriation (millions)	Number of contracts traded (millions)	Value of contracts traded (billions)
1969	152	$1.9	8.6	$67.5
1970	165	2.5	10.3	92.9
1971	166	2.7	11.8	114.4
1972	160	2.8	12.6	148.0
1973	165	2.9	17.8	268.3

In commenting on this matter in March 1974, the CEA Administrator agreed that additional staff was needed and said that staff had been requested for fiscal year 1975 to help alleviate their problems.

The Department's fiscal 1974 appropriation request did not ask for any additional staff or funds. The House Committee on Appropriations' report on the Agriculture-Environmental and Consumer Protection Appropriation bill for fiscal year 1974 states that the Department was requested to furnish information on additional personnel and funds needed to increase surveillance and enforcement because of the increased volume of trading on the commodity exchanges.

The Department reported that 13 positions costing an additional $234,000 would be needed; however, the Committee believed this estimate too conservative and provided 20 positions and an additional $351,000. The Department has estimated that CEA would have 188 employees at the end of fiscal year 1974 and has requested an additional 29 positions for fiscal year 1975. Comments on CEA's grade structure are discussed earlier.

COMMODITY EXCHANGE RULE ENFORCEMENT AND CEA INVESTIGATIONS

CEA supervises exchanges' programs for enforcing rules and investigates floor trading practices to (1) insure a free and open market and (2) give the public maximum protection in its contacts with the exchanges and their members.

CEA should aggressively monitor the exchanges enforcement programs

CEA has experienced long delays in getting exchanges to establish the necessary self-enforcement programs and to correct certain deficiencies. CEA needs to be more aggressive in requiring exchanges to enforce their (1) rules concerning contract terms and trading and (2) minimum financial requirement rules as approved by the Secretary of Agriculture.

A 1968 amendment to the CE act required that applicants for registration as FCMs demonstrate reasonable capital resources. An applicant met the requirement if he was a member of an exchange whose financial standards had been approved by the Secretary of Agriculture. Other applicants had to meet requirements established by the Secretary of Agriculture. The amendment also required each exchange to enforce its rules on (1) contract terms and other trading requirements and (2) minimum financial requirements for members who were FCMs.

Enforcing exchange trading rules

A 1971 audit report by the Department's Office of Audit (formerly the Office of Inspector General) repeatedly stressed the need for CEA to require exchanges to enforce their rules more vigorously. Further, a CEA study team concluded in 1971 that the exchanges were not adequately policing floor trading practices and recommended that CEA require each exchange to establish a program for that purpose. The CEA study team recommended also that CEA periodically review the exchanges' self-policing programs to insure their adequacy. The CEA Administrator agreed to advise each exchange that it was required to have an affirmative self-policing program adequate to deter violations of its trading rules; however, CEA apparently took no action at that time.

Since 1971 CEA has formally reviewed the rule enforcement activities of 6 of the 10 active regulated exchanges—4 in New York City and 2 in Chicago. These reviews were often made over extended periods of time—ranging from 6 to over 15 months—because employees periodically were diverted to higher priority work. This practice disrupted the continuity of the review work and in some cases necessitated more work to update data and information. CEA advised the exchanges of the deficiencies observed in their programs but was not aggressive in insuring that corrective action was taken.

CEA's reviews showed various deficiencies in the exchanges' enforcement programs.

Exchanges did not have programs for continually enforcing rules.

Self-initiated investigations of customer complaints turned up only minor infractions, if any, but investigations made as a result of CEA referrals of customer complaints disclosed a high percentage of infractions.

Corrective actions for infractions were delayed in many cases.

On July 11, 1973, CEA proposed a regulation under the CE act requiring each exchange to have a program for enforcing its own trading rules. That regulation was adopted and became effective December 1, 1973, more than 2 years after the study team had recognized the need for such action and 5 years after the CE act was amended requiring exchange self-regulation.

The December 1973 regulation requires each exchange to:

Monitor market activity for indications of possible congestion or other market situations conducive to possible price distortion;

Monitor trading practices on the floor of the exchange;

Investigate all customer complaints concerning the handling of accounts or orders;

Investigate all other alleged or apparent violations of its bylaws, rules, regulations, and resolutions; and

Establish a procedure for taking prompt, effective, disciplinary action for violations.

In commenting on the need to promptly implement this regulation, the CEA Administrator informed us on March 22, 1974, that CEA is providing exchanges with guidance on what is required of them. CEA regional directors met with exchange officials and explained the requirements of the regulation and confirmed these discussions in writing to the exchanges. The Administrator told us that CEA's enforcement guideline contemplates that guidance will be given to each individual exchange on the basis of CEA's review of the exchange's program. The guideline provides that each regional office bring to the exchange's attention such procedures considered necessary to bring the exchange enforcement program up to a satisfactory level.

We believe the regulation and guidance being provided to the exchanges is a step in the right direction and will provide CEA a standard for appraising the exchanges' performance. However, we noted that only one CEA regional office had specified a time limit for implementing the regulation. In view of the long delays experienced by CEA in getting the exchanges to establish self-enforcement programs, we believe CEA should (1) give each exchange a specific time limit for implementing the regulation and state what penalties will be imposed if such time limits are not met and (2) aggressively monitor the exchanges' programs to insure compliance.

Enforcing exchanges' minimum financial requirement rules

The Chicago Board of Trade and the Chicago Mercantile Exchange are the only two

exchanges which have requested and obtained the Secretary of Agriculture's approval of the financial requirements established for their FCMs. The two exchanges became responsible for enforcing their respective requirements in March 1969. Since then, CEA has often expressed concern about the two exchanges' inadequate enforcement programs.

CEA reviewed the two exchanges' programs for enforcing minimum financial requirements and discussed the areas needing improvement with exchange officials. In August 1971 and January 1972 CEA advised the Chicago Board of Trade that it needed to increase its audit staff and the number of onsite audits of FCMs to verify compliance with exchange requirements. CEA discussions with the Chicago Mercantile Exchange in December 1971 indicated these same improvements were needed in its program.

In May 1972 CEA was informed that the Chicago Board of Trade's audit staff would be increased so that 50 percent of the 130 member FCMs could be audited each year. This program was to begin by the end of October 1972; however, a CEA review found that the Chicago Board of Trade made only four field audits of FCMs between January 1, 1972, and June 30, 1973.

In addition, on June 18, 1973, the Commodity Exchange Commission, on CEA's recommendation, issued a complaint against the Chicago Board of Trade for failing to enforce its minimum financial requirement rules for one of its FCMs. The complaint resulted because the Chicago Board of Trade allegedly failed and refused to enforce its minimum financial requirements for that FCM even though the board (1) had determined on numerous occasions that the FCM failed to meet such requirements and (2) had been notified by CEA that the board was not complying with the CE act. A CEA official told us that, as of April 5, 1974, this case was still under review by the Commodity Exchange Commission and that final action was imminent.

In August 1973 the Director, Registration and Audit Division, CEA, reported that both exchanges had to improve their programs to bring them to an acceptable performance level. He pointed out that the Chicago Mercantile Exchange had shown an improvement over prior years; however, the number of field audits could still be increased. Between January 1 and September 5, 1973, the Chicago Mercantile Exchange audited 28 of 94 FCMs.

On the other hand, the Director, Registration and Audits Division, CEA, reported that the Chicago Board of Trade's field audit efforts were meager, and that the board's audit efforts seldom went beyond a desk review of financial statements received from member firms and information received from other exchanges and other outside sources.

We believe CEA should act more forcefully to insure that the Chicago Board of Trade and the Chicago Mercantile Exchange programs are improved to an acceptable level. CEA should establish guidelines indicating acceptable performance standards for the exchanges' surveillance and investigative functions and should clearly state what penalties will be imposed for failure to meet the standards within a specified period. We believe that CEA's lack of aggressiveness is clearly demonstrated by the fact that, 5 years after the act requiring such programs was enacted, the exchanges still do not have acceptable self-enforcement programs.

Continued deficiencies in CEA's trade practice investigation programs

In a report to the Congress in 1965 (see p. 8), we pointed out that CEA's trade practice investigations were inadequate to disclose or discourage abusive trade practices on the exchange floors and that these investigations were not conducted on a planned basis to insure periodic review of each futures market. In 1971, the Department's Office of Audit reported essentially the same deficiencies. On the basis of our review of all trade practice investigations initiated by CEA in fiscal year 1973, we believe the deficiencies continue.

At the time of our earlier review, CEA's trade practice investigations generally involved detailed examinations and analyses of all trades of futures contracts made for a particular commodity or commodities at a contract market during a specified period. Because of the time consuming nature of the work, which was done manually, and the lack of manpower, CEA, following our review, tried to make such analyses, at least partially, through the use of computer programs but failed because it could not design the programs to appropriately identify suspect trades.

To use its limited manpower more effectively, CEA adopted a new program in 1971 for conducting trade practice investigations. The new program called for investigations of suspect situations or of individuals on firms trading in one or more commodities. A CEA study team recommended that CEA use the exchanges' trade registers (a listing of all trades made) to identify suspect situations and that CEA assign the program an adequate priority in relationship to the other work of the agency.

The Administrator of CEA adopted the study team's recommendations in August 1971 and indicated that the following actions would be taken when time permitted.

The regulations under the CE act would be amended to require additional information in exchange trade registers.

As soon as current computer programs were operational, the central region would study the feasibility of developing a program to identify apparent noncompetitive trades.

A guideline for trade practice investigations would be prepared.

These actions, however, had not been taken at the time of our survey in November 1973.

Our review of the 16 trade practice investigations initiated by CEA during fiscal year 1973 showed that 10 of them had not been completed at the time of our survey, primarily because of repeated delays due to higher priority work. For example, in the CEA central region, only 2 of 10 investigations had been completed. Also, some of the six completed cases were significantly delayed for the same reason. In the eastern region two investigations that were scheduled for completion in 1 and 2 months were actually completed in 7 and 11 months, respectively. CEA's western region made no trade practice investigations in fiscal year 1973 because, according to regional office officials, the region's limited manpower was heavily involved in investigating an alleged price manipulation.

In March 1973 a CEA headquarters audit report on the eastern regional office's compliance program concluded that the trade practice investigation program had not been given proper priority. The audit report also stated that the estimated completion dates of investigations had been pushed back many times and that no exchange trade registers had been examined so far during the fiscal year.

Besides being assigned low priority, some of the cases classified as trade practice investigations under the selective program were of very narrow scope, involving a single trade or trades on which a complaint had been received or which had been referred by other CEA regional office branches. In the central region, only two investigations, one of which was requested by CEA headquarters, involved relatively broad reviews of the trading in a specific commodity and analysis of exchange trade registers.

CEA has acknowledged that trade practice investigations are the best means it has for detecting noncompetitive trading on futures exchanges. For such investigations to be successful deterrents, however, they should be designed to seek out such practices and not rely primarily on complaints or referrals from individuals or other CEA branches. Also, these investigations should be conducted on a planned basis and given high priority if they are to be effective.

In commenting on this matter in March 1974, the Administrator, CEA, said he agreed with our conclusions but reiterated that staffing would continue to be a problem in the future. He said that conducting trade practice investigations designed as we suggested would require considerable effort and that, even with increased staffing, higher priority work might preclude such investigations, at least to some extent.

We told the Administrator that we are continuing our review in this area and that we planned to comment further in our final report on the type and timeliness of trade practice investigations.

MARKET SURVEILLANCE AND ECONOMIC ANALYSES

The purpose of market surveillance is to enforce speculative limit requirements and to detect and prevent market disruption such as manipulative practices. Market surveillance involves analysis of data obtained from daily and weekly reports of trades filed by traders in the commodity futures markets. CEA processed 632,000 of these reports during fiscal year 1973. Economic analyses are designed to show that manipulation has occurred and include analyses of price relationships, supply, demand, transportation, and other factors affecting the marketing of commodities.

Our preliminary observations regarding these activities follow; however, we have not completed our review of this area.

Need for periodic reviews of adequacy of speculative limits

CEA should regularly review the adequacy of or need for speculative trading and position limits on regulated commodities. The primary purpose of such limits is to curb the trading of individuals whose trades or positions might unduly affect price. Without adequate limits, sudden, unreasonable, or unwarranted price fluctuations are more likely to occur.

Speculative limits cover both the number of contracts that may be bought and sold daily (trading limit) and the number of contracts that may be owned or controlled by one person (position limits). At present, regulated commodities either (1) have speculative trading and position limits which were established by the Commodity Exchange Commission, (2) have limits established by one of the exchanges, or (3) have no limits.

CEA believes that limits on speculative trading and positions are one means of giving economic forces the fullest possible opportunity for maintaining free and competitive markets.

Over the past 10 years, the volume of trading in futures contracts for regulated commodities has increased significantly and the annual trading volume has fluctuated widely among individual commodities. Despite this situation, CEA has not regularly reviewed the adequacy of speculative limits or the need to establish such limits for commodities without them.

For example, the current speculative trading and position limit on cotton—unchanged since 1947—is 300 contracts. The adequacy of this limit has not been reviewed since 1947, although the volume of trading in cotton futures and the number of open contracts has fluctuated widely during the past 11 years. For example, in fiscal year 1962, the annual average open interest (number of contracts outstanding) amounted to about 4,100 contracts and the volume of trading was about 35,000 contracts. In fiscal year 1972, the annual average open interest was more than 16,000 contracts and

the volume of trading was about 411,000 contracts. The statistics for fiscal year 1972 were greater than those for the preceding 3 fiscal years combined.

Frozen concentrated orange juice is an example of a commodity for which no speculative limits have been set. A study completed by CEA's eastern region in March 1972 recommended that the Commodity Exchange Commission set trading and position limits for orange juice to diminish or prevent excessive speculation. In December 1971, a CEA headquarters official told us that no action had been taken on the recommendation and that the study had been returned to the region for updating.

In June 1973, a CEA management study team recommended that CEA (1) consider establishing speculative limits for all regulated commodities and (2) periodically review the validity of existing speculative limits. On March 22, 1974, the Administrator, CEA, informed us that resources to implement the study team recommendations were requested in CEA's 1974–75 budget request.

The Director of CEA's Trading Division acknowledged to us that CEA had not regularly reviewed speculative trading and position limits and that there was no future schedule for making these analyses regularly. He said that CEA would not be able to take action in this area until the staff was increased. We are examining this matter further as part of our review.

Need for consolidating guidance documents on identifying and investigating price manipulations

CEA's formal guideline on market surveillance identifies the factors and information important to an analyst in detecting price manipulations. Most of the guidance on how to interpret and structure this information for investigative purposes, however, is scattered in memoranda, outlines, and instruction papers prepared by CEA officials during the past several years, and not all of these documents have been made available to CEA's three regional offices. As a result, CEA has no assurance that its regional personnel are using all pertinent data in assessing possible price manipulations.

A memorandum on the inadequacies of a regional report on a price manipulation case stated the need for planning analysis work and for better use of investigative and analytical skills. The memorandum suggested questions that should be answered in a properly structured analysis-investigation of a possible price manipulation. Our contacts with officials at the three regional offices disclosed that this memorandum had been made available only to central and eastern region economists and investigators.

Furthermore, only the central and eastern regions had four other informal guidance documents which were used as references for assessing possible price manipulations. The documents covered the following areas.

The need to know the commodity.

Information needed on production, supply, movement of supply, market demand, functions of a market, a futures contract and its provisions, delivery problems, price and price relationships, and tricks of the trade.

Types of futures market manipulations and their characteristics.

Factors required for there to be a manipulative situation and their characteristics.

General outline of an approach to investigating a possible manipulation.

In addition, the central region had developed two more outline approaches for investigating price manipulations.

The only guidance document on price manipulation available to the western regional office was the formal CEA guideline. Because most of the guidance on how to structure an investigation is contained in the informal documents, personnel in the western region may not be in the best position to properly assess manipulative situations.

A central region official stated that the informal guidance documents had been a valuable aid in investigating price manipulations. These documents are based on experience gained from investigating price manipulations and considerable time has been spent in developing them.

We believe that all guidance documents on price manipulation should be consolidated and made available to all CEA regional offices.

In commenting on this matter in March 1974, the CEA Administrator said that he agreed with our suggestion and that consolidated guidelines were being prepared for dissemination to all regional offices.

REGISTRATION AND AUDIT ACTIVITIES

CEA is responsible for registering all FCMs and floor brokers each year. As a part of registration, CEA investigates the general character of each floor broker and FCM and FCMs' principals and branch managers. CEA completed 2,904 of these investigations in fiscal year 1973 and registered or reregistered 250 FCMs and 1,357 floor brokers. (The need to expand the registration and character investigations to include all individuals who handle customers' funds or accounts is discussed previously.)

The CE act requires FCMs to meet minimum financial requirements at all times and to separately account for customers' funds invested in regulated commodities and specifies that these funds not be commingled with other funds. CEA attempts to audit all FCMs each year to insure compliance with the segregrated fund provisions. CEA's regular financial requirements audits are limited to those FCMs that are not members of the Chicago Board of Trade or the Chicago Mercantile Exchange—the two largest exchanges—because these exchanges are approved by the Secretary of Agriculture to enforce their financial requirements. CEA made a total of 253 audits during fiscal year 1973. Our observations on CEA's audit activities follow.

Need to consider giving exchanges primary responsibility for audits

CEA's regional professional staff spends about 25 percent of its time making routine audits of FCMs to insure that customer funds are properly segregated and that FCMs meet minimum financial requirements. CEA should consider giving exchanges primary responsibility for such audits. CEA could then function more meaningfully as an overseer, much as it does in appraising exchanges' enforcement of their own rules and regulations. By limiting itself to such a role, CEA could concentrate more effort on known or suspected noncompliance cases and increase its effort in other enforcement areas.

The practicability of the exchanges' assuming more responsibility for audits of FCMs is enhanced by the fact that the two largest exchanges, whose memberships comprise about 75 percent of all FCMs, are already responsible for insuring that these member FCMs meet minimum financial requirements.

To assist them in their enforcement duties, the two largest exchanges require their members to submit periodic financial statements, including annual financial statements certified by an independent certified public accountant (CPA) or financial statements submitted to and in accordance with the requirements of the New York, Midwest, or American Stock Exchanges. The financial statements submitted by CPAs include a comparison of segregation requirements with segregated funds on deposit. Segregated fund audits made by CEA are apparently more detailed. FCMs who are not members of either of the two largest exchanges are required to semiannually submit financial statements to CEA that also include a comparison of segregation requirements with segregated funds on deposit.

Because most FCMs already use CPAs in the financial requirement and segregated fund audit areas, it appears practicable to extend the CPAs' services to satisfy CEA audit requirements.

Our suggestion to use CPA work more extensively is similar to one made in a September 1971 report on CEA operations by the Department's Office of Audit. The report recommended that CEA, in auditing FCMs, rely as much as possible on reports from CPAs or reports required by SEC. The report also stated that CEA should require the exchanges to enforce the CE act and its regulations relating to minimum financial requirements and segregation of customer funds. It further stated that, even though CEA's regulatory philosophy was self-regulation by exchanges, CEA, by auditing each FCM's segregation funds, had assumed full responsibility for determining FCM's compliance with the segregation provisions of the CE act and CEA regulations. The report expressed the opinion that protecting customer funds was a primary responsibility of the exchanges and that CEA should place emphasis on insuring that contract markets can enforce the act's minimum financial requirements and funds segregation provisions.

In our opinion, any exchange which CEA has approved to deal in regulated commodities should be capable of insuring that its member FCMs comply with the CE act and CEA regulations or other rules approved by the Secretary of Agriculture regarding segregation of funds and minimum financial requirements. We recognize that the segregation audit function is vital to insure that customers' funds are adequately protected and that it should not in any way be downgraded in importance. We believe, however, that, with proper guidance, exchanges and CEA could rely on CPAs' work.

We are not advocating that the CEA relinquish all responsibility for this audit function. On the contrary, CEA should exercise a strong oversight role. It should continue to audit FCMs when known or suspected noncompliance is evident and to test the reliability of the CPAs' audits.

In commenting on our suggestion in March 1974, the CEA Administrator said that he disagreed with our views. He again pointed out, as he did in a reply to the Office of Audit's September 1971 report, that CEA experience has shown that CPAs' reports cannot be relied on and that outside auditors have difficulty with CEA's segregation concepts and do not seem to concern themselves with the ramifications brought about by commingling funds. He also said that it is unrealistic to expect the smaller exchanges to bear the staffing expense necessary to assume this audit responsibility.

Although we recognize that this transfer of audit responsibility would not be a simple task because of the importance of insuring that the exchanges and the CPAs understand the importance of the segregation and financial requirement audits and know how to make such audits effectively, we still see no overriding reason why CPAs cannot do effective audits of FCMs. It seems unreasonable to believe that professionally trained auditors cannot be motivated to submit accurate reports on segregated funds and minimum financial requirements.

All approved exchanges, even the smaller ones, should be capable of insuring that their member FCMs comply with the CE act. Moreover, in its efforts to get exchanges to enforce their trading rules CEA said that an exchange's lack of resources is not adequate justification for failure to enforce the rules. We believe the same reasoning should be applied to exchanges enforcement of segre-

gated fund and minimum financial requirements. It is not reasonable to expect the Government to continue to bear these costs which should be considered a necessary cost of the exchanges' doing business.

On April 2, 1974, officials of the two largest exchanges agreed with our suggestion and expressed their willingness to accept this additional audit responsibility. They said that much of the required work was already being done by their own audit staffs and by CPAs. They said also that a proposal was being considered to establish an independent audit group to do the required audits of all FCMs. The audit group's cost would be shared by all the exchanges. We believe that adopting such a proposal would ease the financial burden of smaller exchanges and eliminate much of the duplicative audit work at FCMs.

Because of the importance of this audit function in protecting customers, we are continuing our inquiries into this matter and plan to comment on it further in our final report.

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

The Secretary of Agriculture should direct the Administrator, CEA, to—

Give exchanges a time limit for implementing CEA's regulation on self-enforcement of trading rules and state what penalties will be imposed if the deadlines are not met, and aggressively monitor the exchanges' enforcement programs;

Establish standards for exchanges' enforcement of financial requirements and state what penalties will be imposed for failure to meet such standards within a specified period;

Make trade practice investigations that (1) seek out abusive practices, (2) are conducted on a planned basis, and (3) are given high priority;

Regularly review the adequacy of or need for speculative trading and position limits on regulated commodities;

Consolidate all guidance documents on price manipulation investigations and make them available to its regional offices; and

Consider giving exchanges primary responsibility for audits of FCMs.

AGENCY COMMENTS

We obtained oral comments from the Administrator, CEA, to expedite issuance of the report to the Congress. His comments are included in the appropriate sections of this chapter. He generally agreed with our recommendations and stated that additional staff had been requested to help alleviate the problems. He pointed out, however, that conducting trade practice investigations as we suggest would require considerable effort and that, even with increased staffing, higher priority work might preclude such investigations.

The CEA Administrator disagreed with our recommendation to consider giving exchanges primary responsibility for audits of FCMs, with CEA exercising a strong oversight role.

We are continuing our review of these matters and plan to comment on them further in our final report.

APPENDIX I

COMMODITY FUTURES MARKETS—OCTOBER 1973

Exchange	Regulated commodities [1]		Nonregulated commodities
	Actively traded	Not actively traded	
New York Mercantile Exchange	Potatoes, boneless beef, butter	Rice, shell eggs	Aluminum, apples, nickel, palladium, platinum, plywood, U.S. silver coins.
New York Cotton Exchange	Cotton		
Citrus Associates of New York, Cotton Exchange, Inc.	Frozen concentrated orange juice		
Wool Associates of New York, Cotton Exchange, Inc.	Wool	Wool tops	
Chicago Board of Trade	Corn, soybeans, soybean meal, soybean oil, wheat, oats.	Rye, barley, flaxseed, grain sorghums, cotton, cottonseed oil, lard, choice steers.	Iced broilers, plywood, silver.
Chicago Mercantile Exchange	Frozen pork bellies, live beef cattle, feeder cattle, live hogs, fresh shell eggs, frozen eggs, potatoes, grain sorghums.	Butter, frozen boneless beef, frozen skinned hams.	Lumber.
The Board of Trade of Kansas City, Mo., Inc.	Wheat, corn	Soybeans, oats, rye, barley, flaxseed, millfeed, live feeder cattle, grain sorghums.	
Mid-America Commodity Exchange, Chicago	Corn, soybeans, wheat, live hogs, oats	Rye, barley, flaxseed, grain sorghums	Silver, U.S. coins.
Minneapolis Grain Exchange	Wheat	Corn, oats, rye, barley, flaxseed, grain sorghums, soybeans, frozen pork bellies.	
Pacific Commodities Exchange, Inc., San Francisco	Coconut oil, western shell eggs, western live cattle.		
Commodity Exchange, Inc., New York		Hides	Copper, mercury, silver.
Memphis Board of Trade Clearing Association		Soybeans, soybean meal, cottonseed meal	
New Orleans Cotton Exchange		Cotton, cottonseed oil	
Milwaukee Grain Exchange		Barley, corn, flaxseed, grain sorghums, oats, rye, wheat.	
Merchants' Exchange of St. Louis		Wheat, corn, oats, rye, barley, flaxseed, grain sorghums, millfeed.	
Northern California Grain Exchange, Sacramento		Wheat, barley	
Portland Grain Exchange		Wheat	
Seattle Grain Exchange		do	
LPG Associates of the New York Cotton Exchange, Inc.			Propane gas.
Tomato Products Associates of the New York Cotton Exchange, Inc.			Tomato paste.
New York Cocoa Exchange, Inc.			Cocoa.
New York Coffee and Sugar Exchange			Coffee, sugar—domestic (No. 10), sugar (No. 11).
West Coast Commodity Exchange, Los Angeles			Cocoa, copper, silver, sugar, "put and call" options.
International Commercial Exchange, Inc. New York			Currency, fishmeal.
International Monetary Market, Chicago			Currency.

[1] The Commodity Exchange Act (sec. 2) defines regulated commodities as barley, butter, corn, cotton, cottonseed, cottonseed meal, eggs, fats and oils (including lard, tallow, cottonseed oil, peanut oil, soybean oil, and all other fats and oils), flaxseed, frozen concentrated orange juice, grain sorghums, Irish potatoes, livestock, livestock products, millfeeds, oats, onions, pea nuts, rice, rye, soybeans, soybean meal, wheat, wool, and wool tops. Futures trading in onions was prohibited by law in 1958 (72 Stat. 1013).

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF AGRICULTURE AND MEMBERS OF THE COMMODITY EXCHANGE COMMISSION RESPONSIBLE FOR ACTIVITIES DISCUSSED IN THIS REPORT WITH TERMS OF OFFICE

DEPARTMENT OF AGRICULTURE

Secretary of Agriculture

Earl L. Butz, from Dec. 1971 to present.

Clifford M. Hardin, from Jan. 1969 to Nov. 1971.

Orville L. Freeman, from Jan. 1961 to Jan. 1969.

Assistant Secretary, Marketing and Consumer Services

Richard L. Feltner, from Apr. 1974 to present.

Clayton K. Yuetter, from Jan. 1973 to Mar. 1974.

Richard E. Lyng, from Mar. 1969 to Jan. 1973.

COMMODITY EXCHANGE AUTHORITY

Administrator

Alex C. Caldwell, from Jan. 1960 to present.

COMMODITY EXCHANGE COMMISSION

Secretary of Agriculture, chairman

Earl L. Butz, from Dec. 1971 to present.

Clifford M. Hardin, from Jan. 1969 to Nov. 1971.

Orville L. Freeman, from Jan. 1961 to Jan. 1969.

Secretary of Commerce

Frederick B. Dent, from Feb. 1973 to present.

Peter G. Peterson, from Feb. 1972 to Feb. 1973.

Maurice H. Stans, from Jan. 1969 to Feb. 1972.

Attorney General

William B. Saxbe, from Jan. 1974 to present.

Robert H. Bork (acting), from Oct. 1973 to Jan. 1974.

Elliot L. Richardson, from May 1973 to Oct. 1973.

Richard G. Kleindienst, from Jun. 1972 to May 1973.

Richard G. Kleindienst (acting), from Mar. 1972 to Jun. 1972.

John N. Mitchell, from Jan. 1969 to Feb. 1972.

NOTE

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Mr. HART. That report recommends many of the legislative changes which are in S. 2837, which Senators SCOTT of Pennsylvania, CASE of New Jersey and CLARK and I introduced on December 20.

Today, I and the cosponsors of S. 2837 are reintroducing that bill, incorporating the recommendations of the General Accounting Office that were not in the first bill.

Those changes are:

Granting the Commission power to assess civil money penalties;

Granting the Commission power to suspend persons from trading on exchanges who violate the act or rules or regulations promulgated pursuant to it; and

Provision for 20 positions at GS–16, GS–17, and GS–18. GAO recommended a higher grade structure to attract and retain qualified staff.

GAO recommended that the Commission be given power to prohibit floor brokers from trading for their own account and that of a customer at the same time. S. 2837 provides that such dual trading is illegal except to correct errors. The substitute bill provides that such trading is illegal unless the Commission finds that a contract with a small volume of trading needs brokers trading for their own account to provide adequate liquidity. A market is considered sufficiently liquid when the number and volume of trades and traders is adequate to enable brokers to fill orders without significant price fluctuations. Certainly it is clear that the large contracts in wheat, corn, and soybeans have sufficient liquidity. New contracts and those that are small may have an insufficient number of traders. If this can be proven to the Commission, it should permit brokers to trade for themselves and customers at the same time.

This substitute bill also requires the Commission to make a study of the feasibility of computerized trading and report its findings to the Congress. The potential for trading abuses on the floor of an exchange are innumerable—even if dual trading was banned. Floor traders, trading for their own account could enter into schemes with floor brokers, handling customers accounts, to the benefit of the trader. The market could continue to function on the basis of rumor—such as a drought in the Midwest—as it does now. It would seem that one solution to these problems may well be computerized trading. The CEA has recommended before the House Appropriations Committee and the Subcommittee on Special Small Business Problems that a study be made of the feasibility of such trading. We consider this to be an excellent proposal and one which we hope the Senate committee will give its careful attention.

Futures trading has grown to a one-half-trillion-dollar-a-year business. Not only does its size make it important, but the fact that it affects the farmer, the middleman, and the consumer. In paying the farmer, the country elevator operator refers to the futures price. And the grain company refers to the futures price in purchasing from the grain elevator and in selling grain abroad or to the miller or the final processor. So up and down the line from farmer to the finished product, the futures price is used in setting prices. If the futures price is manipulated or distorted, the cash price is also.

During past years, the Commodity Exchange Authority has been criticized severely by GAO, the Inspector General of the U.S. Department of Agriculture, editors and commentators, and congressional committees for its ineffective regulation. The evidence is now available and stopgap measures will not do to repair the system. It needs a complete overhaul—as this legislation I have prepared makes clear.

EDUCATION AMENDMENTS OF 1974—AMENDMENTS

AMENDMENT NO. 1289

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

PROTECTION OF THE RIGHTS AND PRIVACY OF PARENTS AND STUDENTS

Mr. BUCKLEY. Mr. President, in the last few years a considerable amount of effort has been expended to investigate and expose the dangers and injustices created by the secret compilation and dissemination of data and files on the personal lives and business affairs of millions of Americans, who have had no opportunity to review the material in these files and to correct the many errors and hearsay that are often found therein.

We are all familiar with stories of both serious outrages and humorous foulups caused by erroneous material stored in various data banks or credit department computers. Trivial or erroneous material kept in such files can harm and haunt individuals throughout their lives.

The public has also become aware of the genuine danger to the privacy and civil liberties of all Americans posed by the growth of such secret files and computer banks. Several bills have been introduced in Congress to attempt to deal with this problem, and I am pleased to be a cosponsor of one of the most significant ones, S. 2883, the Fair Credit Reporting Act of 1974.

But, Mr. President, in spite of this evidence of increased awareness and concern over these dangers, hardly any public outcry has been heard about the systematic violation of privacy and personal rights, through the existence of secret files, of two of the largest classes of Americans.

I speak of the right of privacy of millions of children in the schools across our Nation whose school records are routinely made available to governmental and other busybodies, and the rights of their parents, who are too often denied access to such information.

The serious problems and dangers posed by secret files in our schools were well described in a recent article by Diane Divoky in Parade magazine entitled, "How Secret School Records Can Hurt Your Child." I ask unanimous consent that the article be printed at the end of my remarks.

Miss Divoky notes that—

Recent surveys of representative school systems throughout the country found that CIA and FBI agents and juvenile court and health department officials had access to the entire records in more than half the schools systems; local police in 33 percent and parents in less than 10 percent.

These records contain not only test scores and medical reports, but also many so-called anecdotal comments which can haunt a child throughout his school years and beyond. A staff member of the New York Civil Liberties Union has stated that—

There is tremendous abuse in the preparation of these records. Teachers will think nothing of inserting comments like, "I feel sorry for the teacher who gets this kid next year," or "This one is really a gem."

As a result, children may become permament victims of their teachers' prejudices or misconceptions.

But the issue of secret school records is only a part of a larger problem of the violation of privacy and other rights of children and their parents that increasingly pervades our schools.

Many schools do not ask parents' permission to give personality or psychiatric tests to their children, or to obtain data from the children on their parents and family life. Some of these tests include questions dealing with the most personal feelings and habits of children and their families. Some of these data, in personally identifiable form, is given to other government agencies or to private organizations. Some of it ends up on Federal computers in the caverns of the Department of Health, Education, and Welfare. Just this past March a Federal office demanded personally identifiable educational, ethnic, and family information on over 100,000 New York City's elementary school pupils. Fortunately, the city board of education adamantly refused, even in the face of a reported threat to cut off all Federal education funds—over $200 million a year—to the city.

Attempts are, of course, made to excuse the collection and dissemination of such "data," which is in most cases not accessible for review by parents or students, on the basis that this is all done "in the best interest of the student." In my own State, the Parent-Teachers Association has rejected such assertions, and has taken a strong stand against these abuses, and has called for their correction.

But there have been additional abuses of the rights of children and their parents. In some instances children are required to participate in experimental education programs, in medical research, or in programs or activities designed to affect their personal behavior, values, or social development—without their parents' adequate knowledge or consent. The Children's Defense Fund, headquartered here in Washington, has documented many disturbing cases of such abuses across the country.

Often the instructional materials in experimental and other school programs and courses are not readily available to parents for inspection and review. In those cases where parents have been able to obtain copies of restricted materials, they have frequently found them to contain items and ideas that are not only controversial, but also in direct opposition to the moral values and beliefs of many parents.

Such secrecy, such denials of the right of parents to find out what is being taught and done to their children in school, reflect an elitist arrogance on the part of many in the educational establishment which is shocking.

Some educators seem to have forgotten that parents have the primary legal and moral responsibility for the upbringing of their children and only entrust them to the schools for basic educational purposes. This entrusting to the schools is not an abdication of parental rights and responsibilities, but rather a sharing of them by the parents.

Yet, some educators seem to feel that they know much more about the welfare and best interests of the child than do the parents, and therefore, once a child comes under their sway, they think they have the right to do what they themselves think is best for the child, without regard for values and beliefs of the parents.

Mr. President, it is time we take the lid off secrecy in our schools. We have passed a Freedom of Information Act to remove much of the secrecy involved in the activities of the Federal bureaucracy and to make information available to the public which should rightly be theirs. It is high time that we pass a Freedom of Information Act for children and parents.

Therefore, Mr. President, I propose an amendment to S. 1539, which will add a new section to the bill, entitled, "Protection of the Rights and Privacy of Parents and Students." I send it to the desk and ask that it be printed. I also ask unanimous consent that the amendment be inserted in the RECORD at the end of my remarks.

I am happy to say that in offering this amendment I am joined by the distinguished senior Senator from North Carolina, Senator ERVIN, as well as Senator CURTIS, Senator GOLDWATER, Senator TOWER, Senator DOLE, Senator BROCK, Senator MCCLURE, Senator GURNEY, Senator HELMS, Senator THURMOND, and Senator BIDEN.

I want to add that after I first circulated this amendment last week, I received several suggestions and helpful criticisms from other Senators and some interested organizations, such as the National School Boards Association and the Children's Defense Fund of the Washington research project, about certain problematic portions or omissions in the amendment. I have taken these suggestions into consideration, and have made several modifications in some of the language which I think should satisfy many of the basic concerns which were raised.

Some may ask: "Why talk about problems and abuses of local school administration? Why should this be a concern of Federal legislation to aid education?"

First, let me note that programs of Federal aid to the States and localities have almost always required that the recipients meet certain conditions—the area of civil rights and nondiscrimination being one of the most prominent examples—in order to be eligible for assistance. My amendment serves to make the protection of civil rights more comprehensive.

Second, the fact is that in many cases, the collection and dissemination of various personal data and the development of various experimental and attitude—affecting programs have been not only encouraged and sponsored, but often mandated as a condition for assistance by HEW and the Federal Office of Education, acting under the broad and vague authority granted them by Congress. The aforementioned affair in New York City is a case in point, as is a recent case in Howard County, Md., where an NIE grant to Johns Hopkins University resulted in testing there in the public schools for extensive personal and family information, without parental knowledge or consent. And just this week the Washington papers reported that the District of Columbia school board has refused to administer a test to its students which the Federal Office of Education has demanded that it give.

Thus, the Federal Government is directly involved in perpetrating and perpetuating many of the abuses of which I have spoken. My amendment specifically relates to school programs, projects, and activities which are sponsored or assisted by the Federal Government under the various education law being amended by S. 1539.

My amendment will help to provide parents with access to their children's school records, to prevent the abuse and improper disclosure of such records and data, and to restore the rights of privacy to both students and their parents.

In addition, it will reinforce the rights and responsibilities of parents with respect to the education of their children by requiring parents' permission before their children are made to undergo certain forms of testing or partake in certain experimental or attitude-affecting programs or activities, and by requiring that instructional materials used in school be available to parents, upon reasonable request, for their inspection and review.

In addition, my amendment requires the Secretary of Health, Education, and Welfare to adopt appropriate safeguards to protect the rights of privacy of students and their families in regard to Government-authorized surveys and other data gathering activities.

In the wake of recent scandals over Government spying and secrecy, President Nixon announced the establishment of a high-level committee to provide a "personal shield for every American" against all invasions of privacy. Surely we must not exclude our children from this protection. Mr. President, the Senate can act now to affirm the privacy and rights of children and their parents by adopting my amendment.

Mr. President, I ask unanimous consent that excerpts of an interview with Marian Edelman, director of the Children's Defense Fund of the Washington Research Project, be inserted at this point in the RECORD, as well as sample "parental consent" forms prepared by the Russell Sage Foundation.

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

AMENDMENT NO. 1289

On page 330, between lines 17 and 18, insert the following new section:

PROTECTION OF THE RIGHTS AND PRIVACY OF PARENTS AND STUDENTS

"SEC. 437. (a) RIGHT OF ACCESS AND OF A HEARING.—(1) No funds shall be made available under any applicable program to any State or local educational agency, any institution of higher education, any community college, any school, pre-school, or any other educational institution which has a policy of denying, or which effectively prevents the parents of students under 18 years of age attending any school of such agency, or attending such institution of higher education, community college, school, pre-school or other educational institution, the right to inspect and review any and all official records, files, and data directly related to their children, including all material that is incorporated into each student's cumulative record folder, and intended for school use or to be available to parties outside the school or school system, and specifically including, but not necessarily limited to, identifying data, academic work completed, level of achievement (grades, standardized achievement test scores), attendance data, scores on standardized intelligence, aptitude, and psychological tests, interest inventory results, health data, family background information, teacher or counselor ratings and observations, and verified reports of serious or recurrent behavior patterns. Where such records or data include information on more than one student, the parents of any student shall be entitled to receive, or be informed of, that part of such record or data as pertains to their child. Each recipient shall establish appropriate procedures for the granting of a request by parents for access to their child's school records within a reasonable period of time, but in no case more than 45 days after the request has been made.

"(2) Parents shall have an opportunity for a hearing to challenge the content of their child's school records, to ensure that the Records are not inaccurate, misleading or otherwise in violation of the privacy or other rights of students, and to provide an opportunity for the correction or deletion of any such inaccurate, misleading, or otherwise inappropriate data contained therein.

"(b) PARENTAL CONSENT.—(1) No student shall, as a part of an applicable program, be required to undergo medical, psychological, or psychiatric examination, testing, or treatment, or immunization (except to the extent necessary to protect the public from epidemics of contagious diseases), or to reveal information about his or her personal or family life without the prior, informed, written consent of the student's parents.

"(2) No student shall, as a part of any applicable program, be required, without the prior, informed, written consent of the student's parents, to participate in any project program, or course, the primary purpose or principle effect of which is to affect or alter the personal behavior or personal values of a student, or to explore and develop teaching techniques or courses primarily intended to affect such behavior and values.

"(3) Parents shall be informed, reasonably in advance and in writing, of the intended participation of their child in any research or experimenation project which is a part of an applicable program. No child shall participate in such a project if the parents of such child object to such participation.

"(4) As used in this subsection the term research or experimentation project means any project or program which is a part of an applicable program, and which is authorized by an administrative officer of an education agency, a State or local education agency, or any education institution, including preschools, for the purposes of research or experimentation, except that research or experimentation projects shall not include projects in the field of reading or bilingual education, as determined by the Commissioner.

"(c) CONDITIONS FOR THE RELEASE OF PERSONAL DATA.—(1) No funds shall be made available under any applicable program to any State of local education agency, any institution of higher education, any community college, any school, preschool or any other educational institution which has a policy of permitting the release of records or files (or personal information contained therein) of students without the written consent of their parents to any individual, agency, or organization, other than the following—

"(A) other school officials, including teachers within the educational institution or local educational agency who have a legitimate educational interests;

"(B) to officials of other schools or school systems in which the student intends to enroll, upon condition that the student's parents be notified of the transfer, receive a copy of the record if desired, and have an opportunity for a hearing to challenge the content of the record.

"(2) No funds shall be made available under any applicable program to any State or local educational agency, any institution of higher education, any community college, any school, preschool, or any other education institution which has a policy or practice of furnishing, in any form, any information contained in personal school records, to any persons other than those listed in subsection (c) (1) unless—

"(A) there is written consent from the student's parents specifying records to be released, the reasons for such release, and to whom, and with a copy of the records to be released to the student's parents and the student if desired by the parents, or

"(B) such information is furnished in compliance with judicial order, or pursuant to any lawfully issued subpoena, upon condition that parents and the students are notified of all such orders or subpoenas in advance of the compliance therewith by the education institution of agency.

"(3) In any case in which the Secretary or an administrative head of an education agency is authorized under any applicable program to request or require any State or local educational agency, any institution of higher education, any community college, any school, preschool or any other educational institution to submit to a third party (or to the Secretary or an administrative head of an education agency, as defined in section 409 of this Act) any data from personal statistics or records of students, such data shall not include the names of students or their parents (in code or otherwise) without the written consent of the student's parents, except—

"(A) in connection with a student's application for financial aid;

"(B) in compliance with any court order, or pursuant to any lawfully issued subpena, if the parents and students are notified of any such order in advance of the compliance therewith by the State or local educational agency, the institution of higher education, the community college, the school, preschool, or other educational institution.

"(4) (A) With respect to subsections (c) (1) and (c) (2) and (c) (3), all persons, agencies, or organizations desiring access to the records of a student shall be required to sign a written form which shall be kept permanently with the file of the student, but only for inspection by the parents or student, indicating specifically the legitimate educational or other interest that each person, agency, or organizaiton has in seeking this information. Such form shall be available to parents and to the school official responsible for record maintenance as a means of auditing the operation of the system.

"(4) (B) With respect to this subsection, personal information shall only be transferred to a third party on the condition that such party will not permit any other party to have access to such information without the written consent of the parents of the student.

"(d) PROTECTION OF PERSONAL DATA.—The Secretary shall adopt appropriate regulations to protect the rights or privacy of students and their families in connection with any surveys or data-gathering activities conducted, assisted or authorized by the Secretary or an administrative head of an education agency as defined in section 409 of this Act). Regulations established under this subsection shall include provisions controlling the use, dissemination, and protection of such data. No survey or data-gathering activities shall be conducted by the Secretary, or an administrative head of an education agency have responsibilities under an applicable program unless such activities are authorized by the Act establishing such a program.

"(e) For the purposes of this section, whenever a student has attained 18 years of age, the permission or consent required of and the rights accorded to the parents of the student shall thereafter only be required of and accorded to the student.

"(f) No funds shall be made available under any applicable program unless the recipient of such funds informs the parents of students or the students, if they are 18 years of age or older, of the rights accorded them by this section.

"(g) The Secretary, or an administrative head of an education agency, shall take appropriate actions to enforce provisions of this section and to deal with violations of this section, according to the provisions of this Act.

"(h) The Secretary shall establish or designate an office and review board within the Department of Health, Education and Welfare for the purpose of investigating, processing, reviewing, and adjudicating violations of the provisions of this section and complaints which may be filed concerning alleged violations of this section, according to the procedures contained in subsections (c) and (d) of section 421 of this Act.

"(i) With respect to any funds obligated prior to the effective data of this section to any State or local educational agency, any institution of higher education, any community college, any school, pre-school, or any other educational institution, continued furnishing of such funds shall cease January 1, 1975 if the recipient has failed to meet the conditions for funding established by this section.

"(j) The provisions of this section shall become effective 90 days after the date of enactment of this Act.

"(k) This section may be cited as the 'Family Educational Rights and Privacy Act of 1974.' "

On page 122, in the Table of Contents, after the item "Sec. 512" insert the following:

"SEC. 513. Protection of the rights and privacy of parents and students."

[From the Parade magazine, Mar. 31, 1974]

HOW SECRET SCHOOL RECORDS CAN HURT YOUR CHILD

(By Diane Divoky)

"An habitual liar and a real sickie." "Ego-impaired and maladaptive." "Unnaturally interested in girls." "A real show-off in class, probably because of serious problems at home."

Who are these problem students? They're your children and mine, as described in increasingly fat folders maintained by the schools.

Student records—any teacher or school counselor will tell you—are used more and more to get a picture of the "whole child," his family, and his psychological, social and academic development. So besides hard data, such as IQ scores, medical records, and grades, schools are now collecting files of soft data: teachers, anecdotes, personality rating profile, reports on interviews with parents, and "high security" psychological, disciplinary and delinquency reports. These are routinely filed away in school offices or stored in computer data banks.

You, the parent, probably can't see most of these records, or control what goes into them, much less challenge any untrue or embarrassing information they might contain. But a lot of other people—the school office clerk, potential employers, probation officers, welfare and health department workers, Selective Service board representatives, and just about any policeman who walks into the school and flashes a badge—have carte blanche to these dossiers on your child. And to top it all off, parents are never told who's been spying on their children.

OTHERS HAVE ACCESS

Recent surveys of representative school systems throughout the country found that CIA and FBI agents and juvenile court and health department officials had access to the entire records in more than half the school systems; local police in 33 percent and parents in less than 10 percent.

Even in the rare states or districts where parents have a legal right to inspect records, that right is often denied in practice. As a principal in a California suburb put it: "I know what the law is here in California. Parents are supposed to be able to see the cumulative record. But if a parent comes in and asks to see a record, first I ask why. If there's a really good reason, I'll share some of it with them—but there are certain items I'll always withhold."

OFFICIAL ARROGANCE

The schools argue that student records are their records, to share with whom they choose "for the benefit of the child." Forgetting that parents have the basic legal and moral responsibility for their child and only entrust the child to the school for educational purposes, many school officials arrogantly assume that somehow they know more about the welfare of the child.

A third of the schools do not ask parents for permission before collecting personality test data, and half don't get parents' permission before collecting data on families. Sixteen percent of the systems don't get any form of parental consent before submitting students to psychiatric tests. School counselors, who keep some of the most sensitive records, insist that they'll have to water down their records if they know parents may see them, an argument that raises provocative questions about what goes into those records, and about the school's attitudes toward parents. The results of the school's attitudes, in practice:

A community tutoring projects' secretary calls an elementary school to check on a student's grade placement, and the principal gratuitously reads from the record that the child is a bed-wetter, and that his mother is an alcoholic with a different boyfriend in the house each night.

A mother sneaks a look at her junior high school son's record, and sees that back in second grade an anonymous teacher had written: "exhibitionist tendencies." After several months of work running down the teacher, who no longer taught in the school system, she discovered that the comment was based on a single incident when the youngster had hurriedly returned from the lavatory unzippered.

A black father who works for the school

his daughter attends gets to see her file, and finds five pages of notes about his and his wife's "political activity."

A parent is informed by a guidance counselor, about to write a college recommendation for her son, that his "psychological" file labeled him a "possible schizophrenic" back in elementary school. The mother didn't know such a file existed.

The parents of a junior high student are told their daughter won't be able to attend graduation ceremonies because she's a "bad citizen." What has she done that's bad, the parents ask. Well, the principal says, the school had a whole file on her "poor citizenship," but the parents can't know what's in that file. In this Catch-22 case, one of the few to get a legal hearing, the New York State Commissioner of Education, Ewald B. Nyquist, stated flatly that the school's argument—that it was acting in the best interest of the student in refusing to reveal the information to the parents—had "no merit." The commissioner concluded: "It is readily apparent that no one had a greater right to such information than the parents."

TREMENDOUS ABUSE

"Most people don't even know their rights on this issue," says a staff member of the New York Civil Liberties Union.

"There is tremendous abuse in the preparation of these records. Teachers will think nothing of inserting comments like, 'I feel sorry for the teacher who gets this kid next year,' or 'This one is really a gem.' "

A 9-year-old boy who once hugged a classmate had "homosexual tendencies" written into his permanent record.

Even an affectionate, harmless kiss on the cheek can be interpreted by an overzealous teacher as an "unnatural interest in girls."

In one case, the parents of a 7-year-old boy who was killed accidentally obtained his school records in the litigation that ensued. Some of the comments they found: "Can read and do numbers, but is too immature"—this at the end of the first grade; and "Refuses to use left hand—dislikes being reminded to try." Not mentioned was the fact that the boy had an orthopedic problem on his left hand.

A high school student who criticized his principal on a radio station had "radical tendencies" placed in his record.

"It's an insidious problem," says the NYCLU official, "because most people don't even know who has seen their records and if they are being discriminated against as a result."

Concerned about the growing potential for abuses in school record keeping, the Russell Sage Foundation published in 1969 a widely distributed set of guidelines to aid school systems in establishing fair policies and practices. But five years later, the vast majority of school systems haven't gotten the message. The New York City Board of Education finally established good policies, but few parents or students there seem to know about the protections.

PROTECTIVE LEGISLATION

Des Moines, Iowa, and Jefferson City, Mo., have taken steps to safeguard records, and at the state level, Oregon and New Mexico have passed legislation to give parents and older students access to records, and to protect records from outsiders. New Hampshire bans records that tell of students' political beliefs and activities, and Delaware gives students control of their own records once they are 14 years of age. Elsewhere, the easy flow of information and misinformation—from school to police to social agency—goes unchecked.

One group that is concerned about the problem, the National Committee for Citizens in Education, headquartered in Columbia, Md., urges parents to take a stand—to find out if you can see all of your children's school records, and what provisions your school has to protect records from outsiders' eyes. The committee is preparing a state-by-state guide of school record laws to tell parents where they stand, plus a handbook to guide parents and citizens in asking the questions that will give you the answers on school records policies and practices in your district. It will also provide you with model codes that your state board of education or school system might adopt.

If all else fails, the committee will even tell you how to proceed with legal action. You can write to the National Committee for Citizens in Education, Suite 410, Wilde Lake Village Green, Columbia, Md. 21044.

Last month President Nixon announced that he was setting up a top priority committee headed by Vice President Ford to provide a "personal shield for every American" against invasions of privacy from any source; surely this must apply to our children, too.

[Sample form A]

ROUTINE INFORMATION LETTER TO BE SENT HOME AT THE BEGINNING OF EACH SCHOOL YEAR OR AT TIME STUDENT ENROLLS DURING YEAR

DEAR PARENT, In accordance with the recommendations of the Superintendent of Schools and the Director of Measurement and Evaluation, the Board of Education has approved a city-wide testing program designed to provide information concerning the proficiency of all children in the district on standardized tests of academic achievement and aptitude.

The results of these tests provide a continuing record of each child's academic progress in comparison with national norms. They are also an invaluable aid to your child's teacher and counselor in diagnosing individual strengths and weaknesses in order to provide more effective individualized instruction. During the coming school year the following tests will be administered to your child as part of this program:

(Example)

Name of test: Iowa Tests of Educational Development, Grade 10.

Purpose: Measurement of achievement in mathematics, English, basic science.

Name of test: Terman-McNemar Test of Mental Ability.

Purpose: Measurement of verbal and mathematical aptitude.

Your child's scores on these tests will be checked carefully and maintained in the school record as long as your child attends school in this system. Should your child transfer to another school system, you will be notified of the transfer of his or her permanent record to the new school system. No individual or agency outside of the school system will be permitted to inspect your child's school record without your written permission.

Should you wish to examine your child's record file at any time you may arrange to do so by making an appointment with the principal's office. [In addition, a routine report and interpretation of your child's scores on the above-mentioned tests will be included as part of the second term grade report.]

Sincerely,

——— ———,

Superintendent of Schools.

[Sample form B]

REQUEST FOR PERMISSION TO COLLECT PERSONAL DATA

SPECIAL REQUEST FOR PERMISSION TO COLLECT PERSONAL INFORMATION

In order to provide your child with more effective guidance and counseling services, your permission is requested for the collection of the following kinds of personal information from your child.

(Example)

Type of Information or Test:

Minnesota Multiphasic Personality Inventory.

Kuder Preference Record.

Wrenn Study Inventory.

Family Background Information.

(NOTE.—Space provided for description and purpose; permission granted; permission denied.)

Because of the sensitive nature of this information, all test scores and related information will be treated with complete confidentiality. Only parents and authorized school personnel will be permitted access to this information without parental consent.

Please check the appropriate box signifying your approval or disapproval of this request, sign the form in the space provided below, and return in the enclosed envelope.

[Sample form C]

RECORD OF INSPECTION OF PUPIL RECORDS

Date —.

Records examined —. (Name of pupil or pupils).

Records examined by —

Purpose —.

[Sample form D]

NOTIFICATION OF TRANSFER OF PERMANENT PUPIL RECORD TO ANOTHER SCHOOL SYSTEM

DEAR PARENT, You are hereby notified of the pending transfer of (name of pupil)'s permanent school record to (name of school district in (location).

Should you wish to receive a copy of the record to be transferred please return the bottom portion of this form with your signature by (date).

Sincerely,

——— ———,

Principal.

I wish to receive a copy of the school record of (Please print name of pupil) who is my (son) (daughter) (legal ward).

Parent's signature and date.

Address to which transcript should be sent:

[Sample form E]

REQUEST FOR PERMISSION TO RELEASE PERMANENT SCHOOL RECORD TO THIRD PARTY

DEAR PARENT, We have received a request from (name of requesting individual, agency, etc.) for a copy of (access to) (name of pupil)'s school record.

Please indicate in the space below whether you are willing for us to comply with this request.

(Name of requesting party) may have a copy of (access to) the following parts of (name of pupil)'s record:

Official Administrative Record (name, address, birthdate, grade level completed, grades, class standing, attendance record).—

Standardized Achievement Test Scores.—

Intelligence and Aptitude Test Scores.—

Personality and Interest Test Scores.—

Teacher and Counselor Observations and Ratings.—

Record of Extracurricular Activities.—

Family Background Data.—

Parent's signature and date.

[From Harvard Educational Review, February 1974]

EXCERPTS FROM AN INTERVIEW WITH MARIAN WRIGHT EDELMAN*

Marian Wright Edelman, as Director of the Children's Defense Fund of the Washington Research Project, has added child advocacy to her agenda of action for social change. Beginning as an attorney in the civil rights movement, she directed Jackson, Mississippi's office of the NAACP Legal Defense and Education Fund, Inc. Headstart, children, and education were large issues for community development, and her involvement with the Child Development Group of Mississippi focused her concern on the welfare

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*Interviewers were Rochelle Beck and John Butler of the HER Editorial Board.

of poor and minority children. One of the principal architects of the Comprehensive Child Development Act of 1971, she has broadened her commitment to advocate the rights of all children. She has selected several specific areas on which to concentrate: the exclusion of children from school, labeling and treatment of children with special needs, the use of children in medical experimentation, their right to privacy with regard to school and juvenile court records, reform of the juvenile justice system, and children's right to day care of high quality. Ms. Edelman talked about these and other issues with HER.

Marian, you recently announced the formation of a new organization, the Children's Defense Fund. Can you tell us what it is and why it was created?

The Children's Defense Fund (CDF) is an attempt to create a viable, long-range institution to bring about reforms for children. If they are to receive fair treatment and recognition in this country, children require the same kind of planned, systematic, and sustained advocacy, legal and otherwise, that the NAACP Legal Defense and Education Fund, for example, instigated for blacks three decades or more ago. We hope to bridge two large gaps. One is between people in local communities and advocates at the federal level. The former care about kids but have no larger strategies into which they can fit their local action, and the latter may be politically savvy but need support from local groups to implement any kind of change. Professional child advocates may know a great deal about federal legislation and administrative processes, but unless we can transmit such knowledge to local groups who can educate their constituencies and provide the political muscle, we will continue to lose much of our effectiveness.

The second gap is among people in various disciplines. Researchers and academics have gone off in one direction and those of us who have been involved in policy have gone off in another. As a result, there is often no useful evidence on the particular issues policymakers need to make decisions about. I think there is a lack of understanding from the academic community of what we need to know and do for children with immediate needs. Similarly, lawyers have spent a lot of time filing suits and winning legal victories but have not paid adequate attention to the problems of remedy or the involvement of the community. For example, a right to a hearing is hollow unless people know they have it and are helped to take advantage of it.

CDF is attempting to cut down on the usual fragmentation of effort by molding a staff of people from various disciplines who will seek a unified approach to change. We have litigators and researchers, federal administrative monitors, and community liaison back-up people. We have contracted with local organizing groups like the American Friends Service Committee to provide us with eyes and ears sensitive to local people and problems. We are also retaining local attorneys whom we can use to help identify, where possible, those effective local action groups working in behalf of children.

There is also a separate national entity, the Washington Research Project Action Council, which has a legislative agenda and can lobby on behalf of children—with child development and child health legislation at the top of the list.

What are the specific issues CDF has chosen to pursue?

CDF is premised on the assumption that effective advocacy is specialized; global approaches to change on behalf of children are doomed. We have selected six priority issues for change which could affect broad numbers of children and which are easily understood by large segments of the public. They are: One, the exclusion of children from school; two, classification and treatment of children with special needs; three, the use of children in medical, particularly drug, research and experimentation; four, the child's right to privacy in the face of growing computerization and data banks; five, reform of the juvenile justice system, and six, child development and day care. These issues are subject to attack from a number of vantage points—local, state, and federal—as well as through a combination of strategies, such as litigation, monitoring, model legislation, or efforts at exposure which might in turn provoke congressional hearings, local organizing efforts, and so forth.

What are the other priorities for CDF?

One is what we call the "Guinea Pig Project," where we are investigating the extent to which children, particularly institutionalized children, are used for medical experimentation without the provision of adequate informed consent procedures or other protections. It is an extremely interesting area. We have found it difficult for two reasons: First, medical research has been conducted largely in secrecy, without public knowledge or accountability, even while much of it is done with public funds; and second, doctors, like lawyers and other professionals, think that only they should regulate themselves—even in the face of information showing substantial abuse. The Tuskegee syphilis experiment and the South Carolina sterilization case dramatically illustrate the need for public attention in this area.

We recently won an important case in the Federal District Court of the District of Columbia under the federal Freedom of Information Act. This decision allowed us access to NIMH grant applications and research protocols, including so-called pink sheets and site visit reports, which contain the conclusions and comments of peer review groups whose approval is required of all federal research applicants. The Court also ordered HEW to revise its regulations and grant application procedures to assure that such materials are made available to the public in the future. This decision, if sustained on appeal, will go far in demystifying medical research and building some public accountability into federally funded research grants affecting children. Our investigation of the medical practices in this area will result in a report later this year.

It is a sad fact that there is a better government policy to protect animals than children from experimentation. It is only in the aftermath of blatant abuses that government panels have been assembled to discuss and draft more specific guidelines for human experimentation. I am especially concerned about preventing institutionalized children from being used for experimentation. It still remains to be seen when, and in what form, guidelines in this area will emerge. CDF has monitored the guideline drafting process carefully, and we have prepared and are advocating our own draft regulations.

How are the current guidelines for human experimentation insufficient to protect children?

The current guidelines governing human experimentation are inadequate on the informed consent issue. They completely ignore the problems of consent among the institutionalized. CDF's top priority in this area is to safeguard the child who is least protected—the orphan, the retarded, the neglected and dependent, the institutionalized and the poor—from being guinea pigs in the marketing of new drugs. The consent issue is different for adults and children, particularly children who are under the control of the state or third parties. I feel differently about an adult prisoner consenting to participating in a drug experiment than I do about such an experiment being performed on a child in an institution for the mentally retarded or in a home for the orphaned and neglected.

Isn't the notion of consent problematic with children anyway?

Yes. At what age should a child have to be involved in giving consent, rather than simply consulting the child's parent. Should institutions be permitted to give constructive consent for purposes of experimentation? I would not want any jailer in Alabama or elsewhere to have the right to consent on behalf of juvenile wards on such matters.

Whether protections and procedures are implemented is another crucial but difficult issue. Researchers may give lip-service to paper procedures but ignore them in reality. A substantial consent question was raised in an experiment conducted by a Dr. Dimascio through Boston State Hospital.

What was the experiment?

It involved administering drugs to school children in certain Boston public schools who supposedly reflected behavioral problems which were very broadly defined. The early proposal suggested the experiment was more an attempt to test the effect of the drugs rather than a treatment for specifically identified medical problems. The proposal described a potpouri of symptoms such as restlessness or inattentiveness that could have resulted from a variety of social causes like poverty or hunger, as well as from medical causes. Yet the approach in the proposal, apparently directed at poor children, first explored therapeutic rather than social solutions to the symptoms. If a child is restless because he's hungry, adequate nutrition ought to be the first level of inquiry and response—not the administration of some drug. Further, it was unclear just what the parents were told about the experiment or how the content procedure worked. I know as a parent I would never have consented to my child participating in such a poorly designed experiment. But when we tried to find out more, we were turned down. It was to get this proposal and others that we sued NIMH under the Freedom of Information Act and which resulted in the decision I mentioned earlier.

We have met with a great deal of defensiveness and concern among some of our friends in the medical profession who fear that we are out to (or may inadvertently) destroy medical research. That is the farthest thing from our intentions. We do believe that it is important to enforce public accountability on these important issues. This is an issue which involves very complex judgments, but a total policy vacuum or reliance on self-regulation within the medical profession in the face of increasing evidence of abuse is not a desirable solution.

To give you a specific example, it is necessary, in my opinion, for more people to be aware of and question the frequency with which drugs like Ritalin are employed in the treatment of children's problems. The use of amphetamines on children is far more widespread and promiscuous than has been suspected or documented. And for imprecisely defined medical problems. What is a hyperactive child? How much misdiagnosis is involved? Who should diagnose the child? A physician? A teacher? A parent? What is the impact of long-term use of such drugs? Is the availability of drugs an incentive for easy, maybe incorrect, labels and treatments which serve as substitutes for more costly, complex, or demanding services for children?

You mentioned that a child's right to privacy in the face of growing use of computerization and data banks was a CDF interest. What are you doing in this area?

We have begun what we call our 1948 Project, which focuses on behavioral screening for the purpose of identifying and labeling children with alleged criminal or other behavioral problems and on exploring the use of computerized record keeping of information on children.

This project examines the crucial issues of privacy and classification, to say nothing of raising more fundamental issues about what kind of country we are or ought to be. I have

very strong feelings about how much the government or other officials ought to be allowed to know about individuals. Indiscriminate data banking and careless sharing of information can subject those children who are most disliked and most prone to be mislabeled—the poor minority child, the neglected child—to unfair scapegoating by governmental authorities. Children may gain a stigma at a very early age that can never be shaken. For example, a young person picked up for speeding at sixteen might be checked through some centralized data bank and found to have a history of school problems or contacts with the juvenile court. He or she will, in all likelihood, be treated differently once this information is known.

Accessibility of school records also presents problems. Some information fed into a child's records (to which she or he may not have had access) may be of questionable nature. For example, suppose a principal or teacher thought the child was on drugs but could not prove it. Suppose this observation was included in a school file which was later turned over to the juvenile court when the child was picked up for truancy. This information might later go into a data bank accessible to police authorities. The ramifications of the unsubstantiated charges could go on and on and the child would never have the opportunity to refute them.

Some say that various kinds of specialists in the schools should have access to all information about the child and use it at their discretion. Others say that this kind of information should be withheld from school personnel and reserved for the parents, unless they want to divulge it, thus arguing for something more like a formal doctor-patient relationship between the specialist and the child. How do you see it?

It seems to me that if there is a counseling service at a school, the counselor should have access to the records necessary to do his or her job. This is true of any specialists attempting to deal with special problems. The information sought and collected, however, should be appropriate and necessary to the service being performed. None of the data should go outside the school, for any purpose, without the parents' or the child's consent (depending on age).

Unfortunately, it is still the practice in many places to deny parents and children *access to school* records. A new law giving parents access to their children's records was recently passed in Massachusetts. This right does not exist in many other states. Like welfare recipients' records, all files are confidential. Even the person on whom files are kept may not see them. Who is being protected from whom? One of the reasons it's so important to give parents and student access to their own files is to cut down on the hearsay evidence and rumor that often serves as the basis for labeling a child. In instances when a child is on trial, stands to be expended or expelled from school, or otherwise has his status negatively altered in a serious way, his parents and counsel should certainly have access to all information or records upon which the charges were based.

AMENDMENTS NOS. 1290 THROUGH 1295

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

Mr. HELMS submitted six amendments, intended to be proposed by him to Senate bill 1539, supra.

AMENDMENT NO. 1299

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

Mr. COOK. Mr. President, last month, in the wake of the destruction wrought by tornadoes which hit Kentucky and 10 other States, I introduced legislation aimed at strengthening one of the important components of our current Federal disaster relief effort—school reconstruction legislation.

S. 3407 amends the language of Public Law 81–815 relating to the restoration or replacement of school facilities to provide that additional moneys might be spent in order to insure reasonable and adequate emergency protection in the case of future disasters. The Commissioner of Education is given the authority to approve additional expenditures "in order to assure that the facilities, as restored or replaced, will afford maximum protection against personal injuries resulting from a disaster."

Surely this is not an unreasonable proposal. It makes little sense to replace a building that might only be a hazard in any future emergency situation. The cost of reasonable modifications during a building's renovation will be well worth the security of knowing that schoolchildren are well protected for any future disaster.

I am introducing this legislation again as an amendment to S. 1539, the Education Amendments of 1974, and I urge its favorable consideration by my colleagues. I ask that this proposal be printed in the RECORD.

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

AMENDMENT NO. 1299

On page 214, line 24, insert the following:

EXTENSION OF AUTHORITY TO RESTORE SCHOOL BUILDINGS FOLLOWING A NATIONAL DISASTER

SEC. 204. (a) Section 16(a) of the Act of September 23, 1950 (Public Law 815, Eighty-first Congress) is amended by inserting before the last sentence thereof the following new sentence: "For the purpose of the preceding sentence, the phrase 'cost of construction incident to the restoration or replacement of the school facilities' includes such additional amounts as the Commissioner may approve in order to assure that the facilities, as restored or replaced, will afford maximum protection against personal injuries resulting from a disaster."

On page 215, line 4, strike out "204" and insert in lieu thereof "205".

EXTENSION OF AUTHORITY FOR REGULATION OF EXPORTS—AMENDMENT

AMENDMENT NO. 1297

(Ordered to be printed, and referred to the Committee on Banking, Housing and Urban Affairs.)

Mr. BENTSEN. Mr. President, I am today introducing an amendment to S. 3282, a bill to amend the Export Administration Act of 1969 and ask that the amendment be printed at the end of my remarks.

My amendment, which has the support of the grain trade, would require the President to fully consider established and historical trading patterns before imposing any export controls which may be necessary as a result of abnormal foreign demand or domestic scarcity.

The amendment does not establish rigid historical quotas. Rather it is a clear expression of congressional intent that, if our exports must be limited—and there may indeed be cases where limits are necessary—established markets are to be given some preference over new and uncertain ones.

Mr. President, I am a strong advocate of expanding U.S. export markets, not restricting them. But we must be in a position to adjust to world economic conditions when periodic foreign demand threatens to drain the U.S. cupboard bare. I believe that our agricultural section can expand its production to meet our domestic needs as well as a substantial portion of the needs of the rest of the world. Nevertheless, bad harvests resulting from droughts and flooding in many areas of the world have combined with a great increase in demand for protein and grain to place pressure on U.S. supplies and aggravate already high food prices.

Last year we were forced to impose export controls on soybean and oil seed products and we witnessed the havoc that move wreaked in the consumption pattern and markets of our traditional trading partners. If export controls must be imposed on these products, who should be denied access? In a hungry world, whose order should go unfilled?

Mr. President, I believe that the equitable way to distribute prime commodities is to give consideration to previous trade patterns. Article XIII of the General Agreements on Tariff and Trade says that when all buyers cannot be served, the most equitable way of allocating supplies is on an historic basis. Japan, England, and Germany have long been purchasers of American farm produce. While our trade must be flexible enough to meet demands for new markets such as China and the Soviet Union, we must not forget our traditional trading partners with whom we have spent decades building commercial ties. For example, we have furnished over 90 percent of the soybeans consumed in Japan for the last 10 years, but we were forced to ration soybeans to Japan last year because the Soviet Union had purchased 40 million bushels from us. These export controls will have an adverse effect on our exports for some time. If we cannot guarantee a continuing supply to our established customers, other countries are more than ready to step into our markets. Brazil is already planting soybeans at such a rate that some Brazilian officials are warning that the country's coffee production is being reduced in order to plant soybeans. Brazil is actively seeking new markets at a time that we are limiting sales to the Japanese.

In addition, if export controls are extended to wheat and other grains without consideration of existing trading patterns, the Japanese may turn to the Australians with whom China has recently suspended purchases for political reasons. Mr. President, last year this country experienced a trade deficit with Japan of over $4 billion. We need to not only maintain, but to increase the levels of our exports to that country.

If agriculture is to bear an increasing role in balancing our trade accounts, then stable and reliable markets must be found and maintained.

If trade relations are suspended, there is no guarantee that they will be reestablished. Export controls under the best circumstances cause our traditional foreign buyers to look elsewhere. But export controls which do not give proper consideration to existing trading patterns will permanently damage American exports. What country wants to place its reliance in a trading partner who, after

demanding that you purchase more of its products for years, suddenly imposes restrictions without some preference for previous trading relations?

Mr. President, we must assure Japan, as well as our other established trading partners, that we are serious about protecting our commercial ties during periods of shortages. I believe that my amendment, if adopted and complied with, will give those trading partners that assurance.

The application of shortrun controls should not be allowed to undermine the long-range advantage to our Nation of continuing mutually beneficial exchanges in world trade.

MORTGAGE CREDIT FOR FINANCING OF HOUSE—AMENDMENTS

AMENDMENT NO. 1298

(Ordered to be printed, and referred to the Committee on Banking, Housing and Urban Affairs.)

Mr. BEALL. Mr. President, I send to the desk an amendment to S. 2735.

This amendment would permit FNMA to purchase conventional mortgages which are insured by nonprivate insurers. There are at least five States now which have authorized State agencies to insure mortgages, and there is no reason why State-insured mortgages should be ineligible for purchase while privately insured mortgages are eligible. State-insured mortgages are now eligible for purchase by the Federal Home Loan Mortgage Corporation—FHLMC. The enactment of this change would tend to make the authorities of FNMA and FHLMC more nearly equal.

This amendment has been consistently included in FNMA legislative proposals since 1972, and was included in the Housing and Urban Development Act of 1972 as passed the Senate, and in the House-reported legislation of that year. It has also been included in S. 1329 and S. 2449, both of which have been introduced in this Congress by Chairman SPARKMAN and the ranking minority member, Mr. TOWER. It is included as section 813(d) of S. 3066 as passed the Senate on March 11, 1974.

Mr. President, this amendment was called to my attention by Mr. Joseph G. Anastasi, Secretary, Department of Economic and Community Development.

This amendment would certainly be a big boost to the Maryland housing funds, perhaps even encourage other States to involve themselves in the important housing area also.

ADDITIONAL COSPONSORS OF AMENDMENTS

AMENDMENT NO. 1026

At the request of Mr. MCGOVERN, the Senator from Nebraska (Mr. CURTIS) and the Senator from New Mexico (Mr. DOMEMICI) were added as cosponsors of amendment No. 1026, to S. 1539 relating to Federal assistance to school districts with a high concentration of students whose parents live and work on a Federal installation.

AMENDMENT NO. 1198

At the request of Mr. BEALL, the Senator from Maryland (Mr. MATHIAS), the Senator from Colorado (Mr. DOMINICK), the Senator from Virginia (Mr. HARRY F. BYRD, JR.), and the Senator from New Jersey (Mr. WILLIAMS) were added as cosponsors of amendment No. 1198, intended to be proposed by him, to the bill (S. 411) to amend title 39, United States Code, relating to the Postal Service, and for other purposes.

AMENDMENT NO. 1239

At the request of Mr. ERVIN, the Senator from Arkansas (Mr. MCCLELLAN) was added as a cosponsor of amendment No. 1239 to S. 1539, the Education Amendments of 1974.

AMENDMENT NO. 1248

At the request of Mr. HANSEN, the Senator from Kansas (Mr. PEARSON) was added as a cosponsor of amendment No. 1248 to S. 1539.

AMENDMENT NO. 1265

At the request of Mr. DOLE, the Senator from California (Mr. TUNNEY), the Senator from New Mexico (Mr. DOMENICI), and the Senator from North Dakota (Mr. YOUNG) were added as cosponsors of amendment No. 1265 to S. 3267.

NOTICE OF JOINT COMMITTEE HEARINGS ON CONGRESSIONAL INFORMATION RESOURCES

Mr. METCALF. Mr. President, the Joint Committee on Congressional Operations will open hearings May 15 on the availability to Congress of quality policy research and other necessary information support.

As Senators recall, a major objective of the 1970 Legislative Reorganization Act was to strengthen congressional information capability. Aside from an increase in staff and consultant services available to committees, the primary responsibility for meeting this objective was to be assumed by two agencies—the Congressional Research Service of the Library of Congress and the General Accounting Office. Briefly stated, CRS was directed to supply to the committees "massive aid in policy analysis," to assist them in examining and evaluating legislative proposals and alternatives.

For its part, GAO's new responsibilities included first, assistance to Congress and the committees in evaluating results of ongoing Federal programs and activities, and second, serving as agent of Congress in development within the executive of improved systems for reporting fiscal, budgetary, and program data and information.

The joint committee's hearings opening on May 15 will focus initially on the availability of policy analysis and related information support, including a review of CRS activities and performance of responsibilities assigned to it by the 1970 act. The tentative witness list follows:

May 15:

Kermit Gordon, President, The Brookings Institution.

Robert Seamans, President, National Association of Engineering and Vice Chairman, National Research Council.

Alton Frye, Institute for Congress.

Harvey C. Mansfield, Sr., Professor of Public Law and Government, Columbia University; and Roy W. Crawley, Executive Director, National Academy of Public Administration.

May 16:

Lester Jayson, Director, Congressional Research Service.

The hearings on both days will begin at 10 a.m. in room 1318 of the Dirksen Senate Office Building. Subsequent hearings, to be held in June and July, will deal with program evaluation and the responsibilities of GAO in this area, with the functions of the new Office of Technology Assessment, and with automatic data processing applications in the Congress.

Mr. President, how well we are equipped to acquire and use information—from sources within as well as outside Congress—is a matter of intense concern to Members of both Houses. All of us are acutely aware that without access to information and analysis of the highest quality—readily available and in a form which we can use—Congress cannot hope to fulfill its constitutional responsibilities as a coequal branch of the Federal Government. Many of us believe that our resources remain woefully inadequate, despite efforts to augment them in recent years.

To assess our present and future needs for information support, the joint committee will be inviting testimony from users as well as suppliers of policy research and other information services. We expect to hear not only from the congressional agencies, but from other governmental agencies, the academic community, and private research organizations as well. We also hope to hear from the broadest possible cross section of Members of the House and Senate who have suggestions for improving congressional information capability.

Mr. President, in preparation for these hearings, the joint committee has compiled documents and background material describing relevant duties and responsibilities of CRS and GAO, the functions of the Office of Technology Assessment, the applications of automatic data processing in being or in prospect within Congress, and selected proposals for reorganizing existing congressional agencies or establishing new research and information agencies.

Members may secure a copy of this committee print by calling the joint committee, x8267.

NOTICE OF HEARINGS RELATED TO SMALL BUSINESS PROCUREMENT

Mr. HATHAWAY. Mr. President, I wish to announce that, on May 21, 1974, at 10 a.m. in room 318 of the Russell Senate Office Building, the Subcommittee on Government Procurement of the Senate Select Committee on Small Business will conduct a hearing on current difficulties being faced by small businesses in performing contracts with the Federal Government. Particular attention will be directed to such performance problems as the impact of inflation, energy shortages, and availability of supplies and raw materials.

Testifying at the hearings will be small businessmen whose firms have Government contracts, small business associations, and an attorney-lecturer.

Further information may be obtained from the Senate Small Business Committee, room 424, telephone No. 225-5175.

ADDITIONAL STATEMENTS

IMPEACHABLE OFFENSES: TREASON, BRIBERY, AND HIGH CRIMES AND MISDEMEANORS

Mr. ERVIN. Mr. President, William Van Alstyne, a distinguished professor of constitutional law at Duke University, has written an exceedingly lucid statement setting forth the meaning of impeachable offenses as described in article II, section 4, of the Constitution of the United States. In view of the timeliness of Professor Alstyne's constitutional views on this subject, I ask unanimous consent that a copy of this article be printed in the body of the RECORD.

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

NO DOUBTFUL AUTHORITY OUGHT TO BE EXERCISED—THE IMPEACHMENT OF RICHARD NIXON

Less than three years ago, Gerald Ford moved for the impeachment of Justice William O. Douglas on grounds not constituting any federal crime. At that time, there were many who immediately urged that the House Judiciary Committee should reject Mr. Ford's loose, self-serving construction of the impeachment clause. Admitting that the clause was subject to more than one reasonable view, we argued for a strict construction because of the ease with which the clause would otherwise lend itself to political abuse, and because of the inherent difficulty of drawing any stable line at all if it were not confined to specific criminal acts.

Today, the cause is different and the names are not the same. The object of outrage is Richard Nixon, not William O. Douglas. The cause is different in that there is significant public evidence for the House to consider Mr. Nixon's possible commission of federal crimes; there was never any basis to impeach Justice Douglas by that standard. Again, however, we hear that whether or not Mr. Nixon can be shown to the satisfaction of the Senate to have committed any criminal offense whatever, the impeachment clause does not require it. Rather, the clause is said to contemplate removal for scandalous misconduct or maladministration, or for "subverting the Constitution" (whatever that may mean).

The legal staff of the House Judiciary Committee, now takes this view, including minority counsel for the Republican Members, the A.C.L.U. adopts much of it in a recently published handbook, and scholars as thoughtful as Raoul Berger have given it their professional endorsement. They all make a strong showing for their position, and I cannot say that they are necessarily wrong. Rather, I say that they are far from being necessarily right and that we shall do a great injustice if we repeat the historical mistake of acting on such doubtful grounds in any matter of such obvious national importance. I also believe that much of their argument rests on grounds which they themselves would not wish to see sustained in other circumstances. In this instance, as in many others, the national interest will be far better served by a strict construction of the Constitution.

A LITERAL AND STRICT CONSTRUCTION

Senator Ervin, like the late Mr. Justice Black, reads the Constitution carefully—and strictly. Highly regarded as the Chairman of the Senate Subcommittee on Constitutional Rights (as well as Chairman of the Subcommitteee on Separation of Powers and of the Watergate Select Committee), Ervin is not known as a sycophant or captive of the White House. Relying on the language of the Constitution itself, he has recently concluded that only a specification of federal criminal wrongdoing can properly provide grounds for removal by impeachment.

Reading the Constitution is scarcely ever the terminal point of understanding, of course, but it is a good place to begin. The specific clause, and others too, do appear to favor the Senator's view. The impeachment clause itself provides:

"The President, Vice President and all civil Officers of the United States, shall be removed from Office on Impeachment for, and Conviction of, *Treason, Bribery, or other high Crimes and Misdemeanors.*"

Treason is a criminal offense defined in the Constitution itself. Bribery was a well-established common law crime subsequently enacted as a statutory felony by Congress. "Other high Crimes and Misdemeanors," surely implies that additional grounds for impeachment besides treason and bribery must, like them, be crimes as well. By a well-settled rule of *ejusdem generis* (that a general provision following a specific listing is to be construed in keeping with that specific listing), it is also plausible that the "other high Crimes and Misdemeanors" must not only be criminal offenses like treason and bribery, but like them, they must also be serious criminal offenses ("high" crimes and "high" misdemeanors).

The constitutional close association of grounds for impeachment with crimes is repeated in the specific language of other articles as well. In guaranteeing the right to trial by jury for "all crimes, except in cases of Impeachment," and in providing that a "party convicted [in an impeachment proceeding] shall nevertheless be liable and subject to Indictment, Trial, Judgment, and Punishment, according to law," the Constitution furnishes consistent support for Senator Ervin's view. In sum, the strict construction of the impeachment clause holds that proper grounds for impeachment must be based on evidence satisfying the Senate that the person to be removed has committed a serious criminal offense reflecting directly upon the office from which he is to be removed. It is not the only possible view of the impeachment clause, but it will warrant our most sympathetic consideration in comparison with the slippery slopes of other views.

THE PITFALLS OF LOOSE CONSTRUCTION

Against this proffered strict construction of the impeachment power, there are principally two lines of "authority" which have been invoked in support of a different view—that something the House and Senate may believe to constitute a serious offense, albeit not a crime, would be sufficient grounds to remove the President by impeachment. The first of these is drawn from English history and practice, some portion of which was arguably approved in the formulation of our impeachment clause. The second line of authority is drawn from congressional practice, i.e., from the manner in which Congress has previously presumed to apply the clause.

As to the first, it is indisputable that English history furnishes numerous examples of Parliament removing officers of the Crown for a vast variety of alleged political affronts to Parliament and for actions which Parliament deemed to be outrageous instances of maladministration. But the difficulty with using this history to impose a broad (and highly uncertain) meaning on our own Constitution rests in the questionable assumption that our impeachment clause meant to adopt, rather than to narrow, an English practice which had been used to establish parliamentary supremacy by impeachments on grounds specifically rejected in the making of our Constitution.

Parliament impeached Warren Hastings in 1786 (within a year of our Philadelphia Constitutional Convention) for "gross maladministration," a term also included at the time in six of the thirteen state constitutions of this country. Yet, at Philadelphia, when George Mason of Virginia proposed to add the word "maladministration" to "treason and bribery" as grounds for impeachment, the proposal was at once rejected—as too vague and too broad. The rejection of Mason's "English" suggestion was followed at once without debate, by adding only "other high Crimes and Misdemeanors" to "treason" and "bribery" as the exclusive grounds for removal by impeachment. Thus, the extent to which English practice and English "understandings" were attached to (rather than rejected in) the impeachment clause of our Constitution is by no means clear.

So far as the unexamined habit of construing our Constitutions by reference to English practice and usage is concerned, moreover, it must be recognized at once how treacherous that rule of construction can be. It was once believed that the First Amendment's protection of "the freedom of speech" which Congress is forbidden to abridge was to be determined by looking to English law of the same period, so as to establish the same degree of protection here. The result was immediately disastrous. Seditious libel (basically, any statement deeply critical of government whether or not true) was unprotected under English law and, accordingly, an early Congress presumed to adopt Alien and Sedition Acts which put critics in jail, with the full approval of the lower federal courts. Not until the 1920s did the Supreme Court even begin to consider seriously the possibility that the First Amendment did not accept the English law, but that it greatly narrowed that law and virtually repudiated it. Thus, those inclined to lean heavily on English usages for "clarification" of our Constitution must be made to feel the difficulty they may suffer when it is not Mr. Nixon, but some interest of their own, which is involved.

The other line of argument that would spread apart the narrow net of the impeachment clause is based upon past congressional practice—that Congress has invoked the clause thirteen times, and often on grounds unrelated to any crime. But aside from being weak on the merits (ten of the thirteen instances involved federal judges who hold office on "good behavior"), this is the worst possible source of argument for those most eager to impeach Mr. Nixon, an argument they should shudder to use. It was the very argument he himself partly relied upon to explain why no declaration of war was required for Vietnam—that several Presidents had presumed to wage undeclared war in the past, and that this practice was itself some evidence that no formal declaration by Congress was constitutionally required.

That this style of argument is often largely a bootstrap has recently been acknowledged by the Supreme Court. A few years ago, the House defended its action in denying Adam Clayton Powell his seat in Congress partly on the basis that it had previously acted the same way against other elected Representatives and that the longevity of this practice (about one hundred years' worth) itself furnished evidence of its constitutional authority. The Supreme Court took a different view:

"That an unconstitutional action has been taken before surely does not render that

same action any less unconstitutional at a later date."

Harry Truman ran into the same response when he sought to justify his authority for seizing certain steel mills partly on the basis of similar actions by other presidents:

"[I]t is difficult to follow the argument that several prior acts apparently unauthorized by law, but never questioned in the courts, by repetition clothe a later unauthorized act with the cloak of legality."

Besides all this, the actual history of the impeachment clause teaches us something very different when Congress has used it loosely: that in fact they tend to demean themselves and to martyr the object of their effort. Andrew Johnson was impeached for something clearly *not* a crime, and conviction failed in the Senate where Johnson was defended by a former Supreme Court Justice who argued that impeachment lay only for crime. Sixty years earlier, Jefferson capitulated to politics, lending his support to the impeachment of Justice Chase on noncriminal grounds—and Chase was acquitted. (Chase's counsel also argued that impeachment lay only for crimes.) What, then, can we truly say of past congressional practice as a guide to the impeachment of Richard Nixon?

NO DOUBTFUL AUTHORITY OUGHT TO BE EXERCISED

The guide for Congress to follow was suggested long ago by Alexander Hamilton in the advice he gave a President on an issue of similar gravity, advice Mr. Nixon himself should have taken more frequently than he has. "In so delicate a case," Hamilton suggested, "in one which involves so important a consequence . . . my opinion is that no doubtful authority ought to be exercised."

The question here ultimately is not what clever argument can make out of the impeachment clause, but what we say about ourselves in how we treat this matter. Shall those among us who use one mode of construction (a strict construction) for the First Amendment or the Declaration of War clause now urge a different one in respect to the power of impeachment? Are we so unconvinced that Mr. Nixon is truly subject to removal for a clearly defined "high Crime or Misdemeanor" that we think it well to strain, and in our zeal to "get him," thereby to confess a weakness and a political motive, ironically undermining the gravity of the charges otherwise to be raised against him?

Without pausing here to detail the list, I think it is clear that the House Judiciary Committee has ample specific cause to pursue its inquiry into the President's possible complicity in specific high crimes and misdemeanors. We may, however, seriously degrade that inquiry as well as the impeachment power itself by going a single step beyond.

SMALLTOWN OKLAHOMA PRIDE

Mr. BELLMON. Mr. President, as a lifelong resident of rural Oklahoma, I have a great deal of pride in the farming areas and the small towns of our country.

Many of the Nation's leading citizens have had their beginnings in small communities. Oklahoma has produced more than its share of achievers in government, business, sports, entertainment, space, and other areas of endeavor, who have smalltown backgrounds.

My concern has been that the rural-to-urban migration which has been occurring is draining these areas of their most able, productive citizens. Especially disturbing is the fact that large numbers of young people have been leaving the rural areas to go to the cities. This concern has been shared by other members of the Senate such as the distinguished chairman of the Agriculture Committee, Mr. TALMADGE.

As a result a Rural Development Subcommittee was formed and I am proud to have served as a member of that subcommittee and to have been involved in developing the Rural Development Act of 1972. This act, when funded properly, will go a long way toward making rural areas safe, pleasant and attractive places to live.

Many problems still remain, including the shortage of doctors and the lack of adequate health services in the rural areas. In an effort to improve that situation, I have introduced S. 3045, the Rural Health Care Delivery Act of 1974.

It has taken the Federal Government a long time to recognize that positive action was needed to stop rural areas and small cities and towns from dying. But the Congress is finally beginning to provide the tools to revitalize rural America and bring about the rural-urban balanced growth that is essential to keeping our country strong.

Mr. President, in order that my colleagues may better appreciate the values of smalltown living, I ask unanimous consent to have printed in the RECORD two recent articles from the Tulsa Tribune regarding Perry, Okla., the county seat of Noble County, which is my home.

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

[From the Tulsa (Okla.) Tribune, May 1, 1974]

TO ITS CITIZENS, PERRY NOT JUST AVERAGE—PRIDE ABUNDANT IN "SMALL TOWN, OKLAHOMA"

(By Sam Fox)

PERRY.—The bandstand in Perry's town square is seldom used for summer concerts. But it stands as a reminder of a delightful past and a symbol of a small-town life style that many Americans would like to recapture.

One of the bandstand's most frequent guests was Buster Keaton who entertained his fellow townspeople as a youngster years before he became a movie star.

Keaton also appeared numerous times at the old Perry Opera House as did Tom Mix and Will Rogers. The opera house, which like the bandstand was symbolic of a bygone era, has been torn down.

The town's 18 churches preach a sort of conservative-to-moderate theology that is typical of the small town in mid-America.

With a population of 5,341 persons, Perry could well qualify numerically as "Average Small Town, Oklahoma."

But folks at Perry object to being termed "average."

"We are above average," they say of their town, the Noble County Seat. They offer their reasons:

"Perry is the wrestling capital of the world . . . has a home-grown industry that helps keep its young people from moving off . . . has a terrific school band program . . . is crossed by two railroads . . . is home of one former governor and near the home of another . . . has an outstanding recreation program for its youth . . .

The Cherokee Strip Museum, located west of town just off Interstate 35, tells the story of Sept. 16, 1893, when Perry was born.

On that day, about 100,000 people gathered at the border of the Cherokee Outlet, poised to stake claims in the biggest land rush of them all. The area was 58 miles wide and 226 miles long.

The rush began and by nightfall, Perry (originally named Wharton) was a tent city of about 25,000 population.

Early day settlers recall that Perry landed two railroads—the Santa Fe and Frisco—because of the aggressiveness of Perry's leaders. Stillwater had lost in competition for the railroads, but was selected over Perry as site of a college, now Oklahoma State University.

The railroads gave Perry access to booking of major New York stage plays for the opera house, according to Mrs. Alma Simmons, daughter of Joe B. Tate, who operated the house.

Mrs. Simmons said the opera house opened about 1901 and was converted for silent movies, vaudeville and later to talkies. After about 40 years of operation, the house was damaged by storm and fire, subsequently to be closed and torn down.

Although other communities may challenge Perry's claim as wrestling capital, townspeople point proudly to Olympic champion Jack Vanbebber (1932) and Olympic team member Danny Hodge (1952 and 1956) as examples of the town's claim.

Coach Leonard Shelton is still putting out championship wrestlers, they say.

Frank Briscoe, a student of Ed Gallagher (Gallagher Hall at OSU), is credited with the start of Perry's wrestling tradition. The town's Chamber of Commerce manager, John Divine, was wrestling coach for 33 years.

Wrestling is part of a larger youth program provided by the town each year. Ball leagues are organized each year, and citizens say their scouting program is one of the best.

Each year, the band wins many honors. Newspaper editor Milo Watson said the outstanding music tradiiton was started by Leopold Radgowsky, a czar loyalist who had to flee Russia.

The classical musician, Watson said, went to work with the 101 Ranch Wild West show. The Russians, the story goes, tried to get him back to their country and efforts were made by the United States to deport him.

But friends got Radgowsky into Mexico long enough for him to qualify for re-entry into the country.

Perry citizens are proud of their school system. Byard Anderson started in the system as an elementary school teacher in 1934. Now he is superintendent for the system that has an enrollment of 1,250.

The school, he said, is vitally interested in the summer youth programs, which is "the oldest supervised play program in the state."

Bank executive Kenneth Coldiron says the school and youth programs help avoid a serious drug problem and keep the delinquency rate low.

Oil, wheat and cattle dominate the economic scene in the Perry area. The largest town employer, however, is Charles Machine Works, better known as the builder of a trenching machine called "Ditch Witch."

Owner-manager Ed Malzahn, a Perry native, describes the firm as a "home-grown company."

Ditch Witch, with a $6 million payroll and

about 600 employes, gave bonuses last year of about 26 per cent, and production incentive payments of about 10 per cent.

Malzahn's grandfather started a blacksmith shop and in 1949, the firm started manufacturing its trenching machine. An oil equipment repair business was phased out in 1959.

Because of Ditch Witch's expansion and the existence of several other industries, Perry is keeping a lot of its young people who might otherwise move to larger towns.

Bob Davis, planner-in-charge for the Northern Oklahoma Development Association, said that after the initial settlement and leveling off, the town's population growth has been slow and continuous since 1910.

"The birth rate, as shown on the population pyramid," he said, "is relatively high, and has not decreased significantly the past two decades.

"The city has been able to retain a large portion of its young people beyond graduation, reflecting ample employment opportunities."

Davis said, "There is a large number of persons in the reproductive years, indicating that the city will continue to see a birth rate necessary for continued growth."

Perry is proud of its trees, and honors with a plaque in the town square William T. Little, "who planted our city park." Oldtimers also remember another planter, Orlando Walking.

In mid-September, Perry will relieve its origin with observance of the famed Cherokee Strip run, with all the traditional events and contests.

In between celebrations, though, folks at Perry will go about work, play, worship and all those other things people do in Small Town, Oklahoma.

GOOD NEWS FOR TOWN: DOCTOR PLANS TO STAY

PERRY.—The waiting room at the doctor's office is filled with people. . . .

. . . A little girl with a high fever, a coughing, teen-age girl wearing a "P" (for Perry) jacket, an expectant mother, a burly farmer who won't let his illness show and a mother with a sick boy.

A man enters with a hand injury.

In the corner of the office is a small table with children's books and a Charlie Brown soap bottle. But the children are too sick to enjoy them.

Some of these patients will be seen by Dr. William Corporon, whose tight schedule makes it difficult to see anyone without an appointment.

Just a few years ago, Perry was nearing a doctor shortage. Then Perry citizens made a decision.

The Perry Community Medical Foundation, Inc., formed in 1970, began raising funds to help support medical students, in exchange for a commitment to practice for two years at Perry.

Corporon is first evidence that Perry's decision and its investment in its medical future is paying off.

Good news for Perry: Dr. Corporon announces, "I plan to stay."

Perry leaders had looked at its doctor situation some time ago and saw that the town could one day be without any doctors.

"We had some doctors," said Kenneth Coldiron, bank executive. "Some were beginning to get past 65 . . . a community poll showed a shortage of doctors."

Corporon, a native of Independence, Kan., who had attended schools in Enid and Ponca City, was first to take advantage of the offer.

Since 1970, two other medical students have been helped by the foundation. They are Raymond Jackson, in residency in pediatrics, and John C. Sayre, a Pawnee High School graduate.

"I promised to come to Perry . . . to practice here for a given amount of time," Dr. Corporon said. "Perry supported me through my first year at school.

"I wouldn't have gotten into the program unless I anticipated staying . . . I started in September and am doing all right.

"General practice in a small city is the way I want to practice medicine. This has been my goal since I chose the profession.

"North central Oklahoma has been home for my wife and me for more than 10 years. We like the country and the people.

"We want to live in a community where we can be sure of the kind of education, churches and total environment which we want for our family.

"When we visited Perry, we looked at the hospital, the schools, the churches, the residential areas and the business district. We like the town."

Corporon said the hospital is taking bids for a two-bed intensive care unit and the medical foundation is setting up funding for nurses' post-graduate training.

It pays salary and tuition during training at Stillwater, he said. "It was my suggestion . . . another first."

COMMENTS OF VERMONT ROYSTER RESPECTING SENATOR SAM J. ERVIN, JR.

Mr. RANDOLPH. Mr. President, Vermont Royster, former editor of the Wall Street Journal and now Kenan Professor of Journalism at the University of North Carolina at Chapel Hill, N.C., made some comments upon our colleague Senator SAM J. ERVIN, JR., in a column entitled "Thinking Things Over," which appeared in the Wall Street Journal on April 3, 1974. I ask unanimous consent that a copy of these comments be printed in the body of the RECORD.

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

THINKING THINGS OVER

(By Vermont Royster)

SERMON FROM SENATOR SAM

Senator Sam Ervin of North Carolina is matched by few men in his devotion to those First Amendment rights of free speech and freedom of the press. Indeed, he is the nearest thing we in the craft have today to a patron saint.

So when Senator Sam rises to remind those of us in the press—and the media in general—that with those First Amendment rights there also come some responsibilities, it behooves us to listen.

And that is what the Senator has been doing of late, most recently in some remarks before a media symposium at North Carolina State University in which he mixed a staunch defense of a free press with some stern warnings against its abuse.

"Freedom of speech and of the press expressly confer upon the press and the broadcast media great rights," he observed. "In so doing they implicitly impose upon the press and the broadcast media great responsibilities."

No single provision of the Constitution, including that First Amendment, should be construed as to nullify or impair any other provision of the Constitution, the Senator said. That is, freedom of the press is not absolute when it conflicts with some other right in the Constitution, as for example the right of a fair trial.

"If the words which state that Congress shall make no law abridging freedom of speech and of the press should be interpreted literally," he continued, "the First Amendment would put it beyond the power of government to restrain or punish those whose slanderous tongues impute larceny to honest men or whoredom to virtuous women. . . . those whose disorderly words obstruct courts in the administration of justice or legislative bodies in their law-making functions."

So it follows, he said, that "government may subject to civil or criminal penalties an expression which directly encourages or incites others to violate existing laws, falsely slander or libel others . . . or tends to obstruct courts in the administration of justice."

The Senator wasn't delivering his sermon and his warning in a vacuum. The occasion was one in which Watergate and its handling by the media were much on everyone's mind. It came at a time when many people, if we may judge by the polls, are critical of the media. And also at a time when many within the media are having some uneasy feelings about the way the media are carrying out their responsibilities.

The Washington Post has hardly been derelict in its investigative zeal; it won a Pulitzer Prize for digging into the Watergate cover-up. Yet the Post's managing editor, Howard Simons, has begun to wonder about the eagerness of some newsmen in the Nixon scandals "to rush in to get a bite of that bleeding body in the water."

Columnist Joseph Kraft, no partisan of President Nixon, has lately criticized some of the coverage of the Watergate grand jury's confidential report to Judge Sirica, the one which was widely reported as if it were an indictment of the President. What worries Mr. Kraft is "the spirit of rivalrous competition and self-important narcissism now so rampant in the Fourth Estate."

There have been other self-questioning voices within the craft. The Columbia Journalism Review has published a number of articles criticizing the press. In the current issue there's a devastating critique of media efforts to "psychoanalyze" President Nixon, an effort the author says is "characterized by blind items, innuendo, murky attribution and the shifting of the burden of the discussion to others."

Not long ago Harry Reasoner, in one of his evening news commentaries, took the unusual step of criticizing his colleagues on the news magazines for just this sort of innuendo. And Walter Lippmann has deplored the abuses that come from the competitive desire to get "scoops." This desire, he has said, is "corrupting the whole journalistic process."

Corruption may be too strong a word. Yet it is true enough that as the Watergate investigations have proceeded what these critics fear has sometimes come to pass.

The pressure for scoops has led to reports of what congressional witnesses might testify on the morrow—sometimes correctly, sometimes not. Grand jury testimony, taken in secret, has been reported second-hand, relying on anonymous sources, often of dubious motive, so that no man knows whether it is correct or not. And all too often it seems that many reporters have cast themselves in the role of prosecutors.

None of this is comforting to men who, like Senator Ervin, believe there are some

rights besides freedom of the press that have something to do with preserving liberty. The Messrs. Mitchell, Haldeman and company may be venal fellows, the President himself may be impeachable, but it is possible to wonder whether justice is served by this sort of media performance.

There is cause, then, for concern purely on ethical grounds, and the responsible editors in the press and the broadcast media ought to give it some attention in the daily handling of the news. But there is an extra bite to Senator Ervin's words.

For in warning that in certain circumstances the government may constitutionally subject the press to "civil or criminal penalties" when it interferes with other rights, he is reminding us that this freedom of the press is not something handed down to Moses on Mount Sinai but is rather a civil privilege granted us by the people when they approved the First Amendment. And what the people can grant the people can take away.

It's hard to imagine this happening. Senator Ervin does not think it ever will, being convinced that on the whole the media have discharged their responsibilities in highly commendable wasion. Still, if that freedom is to be preserved it requires not only eternal vigilance to defend it against its enemies but also, in the Senator's words, engendering in the public mind "the confidence that the media are fair as well as free."

All in all, a splendid sermon. But as always with even the best of sermons, the question is how much of the congregation is listening.

SENATE PARLIAMENTARIAN, DR. FLOYD RIDDICK, COMMENDED FOR PREPARING "SENATE PROCEDURE" VOLUME

Mr. HELMS. Mr. President, a few days ago each Member of the Senate was presented with a copy of a remarkable manual prepared by the distinguished Parliamentarian of the Senate, Dr. Floyd M. Riddick. This volume of 1,076 pages bears the title, "Senate Procedure."

The printing and binding of this book was authorized by a joint resolution adopted by the 92d Congress.

Mr. President, I want to commend Dr. Riddick for a great service to every Member of this Senate. I know that he devoted an enormous amount of time and arduous work to researching the rules and precedents of the Senate. It is a task that he could easily have avoided. But Dr. Riddick loves the Senate, he is thoroughly respectful of the traditions of this body; he recognizes the wisdom of orderly procedure in the consideration and enactment of legislation.

Dr. Riddick's manual, "Senate Procedure," has already been helpful to me. I have already spent several evening hours studying it. I am confident that it will be even more helpful to me, and to other Senators, in the days and years to come.

My late friend, the great Senator from Georgia, Richard B. Russell, shared Dr. Riddick's devotion and dedication to the orderly procedures of the Senate. Indeed, the greatest compliment I could pay Dr. Riddick—and I do pay it to him in all sincerity—is that he and Senator Russell are two of a kind.

Senator Russell once told me that a Member of the Senate is, effectively, not much more than what Senator Russell called "a 50-percent Senator" unless he knows, understands, and respects the rules and procedures of the Senate. He also told me that the best way to learn those rules and procedures is to be willing to preside over the Senate, and participate in the multitude of rulings which the Presiding Officer must make—with, of course, the table assistance of the Parliamentarian.

Senator Russell was right. That is why, Mr. President, I spent something like 117 hours in the Chair last year, observing the able majority leader (Mr. MANSFIELD), the able majority whip (Mr. ROBERT C. BYRD), the able minority leader (Mr. HUGH SCOTT), the able assistant minority leader (Mr. GRIFFIN), the distinguished junior Senator from Alabama (Mr. ALLEN), and other distinguished Senators who participate in the Senate's affairs with such skill, and in such gentlemanly fashion.

I cannot pretend that I will ever equal these distinguished Senators whom I have named, nor those whom I have not named. But Dr. Riddick's manual, "Senate Procedure," will enable me to try.

And that, Mr. President, is why I am personally very grateful to Dr. Riddick for the preparation of this manual. I am very proud of him, and I am proud that he is a fellow North Carolinian. I am delighted to pay my respects to him at this time.

SCHOOLS BILLS AUTHORED OR COSPONSORED IN THE 93D CONGRESS

Mr. ALLEN. Mr. President, in response to inquiries from my Alabama constituents and in response to questions from citizens in other parts of the country, I have compiled a list of bills I have authored or cosponsored during this Congress dealing with the neighborhood school system. The compilation does not, of course, include the amendments to other legislation I have supported in this Congress dealing with the subjects of antibusing, desegregation, racial isolation, and the host of topics connected with educational policy. The list follows:

SENATE JOINT RESOLUTION 14

Cosponsor with 14 Senators: January 11, 1973. Brief description: Proposing an amendment to the Constitution of the United States relating to open admissions to public schools.

S. 416

Author with 10 cosponsors: January 18, 1973. Brief description: To further the achievement of equal educational opportunities.

SENATE JOINT RESOLUTION 28

Author with 11 cosponsors: January 23, 1973. Brief description: Proposing an amendment to the Constitution of the United States relative to neighborhood schools.

S. 619

Author with nine cosponsors: January 31, 1973. Brief description: To prescribe uniform criteria for formulating judicial remedies for the elimination of dual school systems.

S. 1737

Cosponsor with Senator ERVIN: May 8, 1973. Brief description: To amend the Civil Rights Act of 1964 to provide for freedom of choice in student assignments in public schools.

S. 2336

Cosponsor with four Senators: August 3, 1973. Brief description: To provide objective definitions of unitary school systems for uniform court enforcement of the Civil Rights Act, and to relieve the congestion of court calendars by providing for the orderly release of continuing Federal jurisdiction over desegregated schools.

SENATE JOINT RESOLUTION 161

Author: October 9, 1973. Brief description: Proposing an amendment to the Constitution of the United States relative to the assignment of students to public schools.

S. 2555

Author: October 10, 1973. Brief description: To provide guidelines for the application of certain provisions of law to the assignment of students in order to carry out a plan of racial desegregation of elementary and secondary schools and to prohibit the involuntary assignment and transportation of students and teachers in order to carry out a plan of racial desegregation—Placed on Senate Calendar, October 10, 1973.

AMENDMENT TO S. 1539

Coauthor: May 1, 1974. Brief description: Proposing a new title to certain acts relating to elementary and secondary education programs; title to be cited as the "Student Freedom of Choice Act."

ADMINISTRATION OF OUR FEDERAL COURT SYSTEM

Mr. HRUSKA. Mr. President, the problems which exist in the administration of our Federal court system are well-known to my colleagues. Much work is being done in the Congress and the judiciary to improve its structure and its workings.

I draw the attention of my colleagues to a court which has experienced a great degree of success in keeping pace with the rapid developments and changing dynamics in Federal law: that of the U.S. Court of Customs and Patent Appeals.

The recent accomplishments of this court are, in my view, an excellent example of how Federal court administration can be effectively improved. It is my hope that the experience gained in revising this court can lead to similar results throughout all of our Federal court system.

Few people realize that highly significant issues affecting all Americans are decided by the Court of Customs and Patent Appeals. A large number of appeals are filed in and processed by this

court each term. Yet this court has virtually eliminated its case backlog in the past 2 years. At the same time, the court has reduced its personnel and actually returned money to the U.S. Treasury. The credit for these noteworthy achievements must be given to Chief Judge Howard T. Markey and the other distinguished jurists on this court—among whom is our former colleague, the Honorable Jack Miller.

Many of my colleagues are well aware of the great strides that have been made over the past few years in the area of customs law since passage of the Customs Court Act of 1970. A similar reform move is now underway in the field of patent law. Several legislative proposals are currently pending before the Subcommittee on Patents, Trademarks, and Copyrights, chaired by my distinguished colleague, Mr. McCLELLAN. I understand that the entire Senate may have the opportunity to consider this important matter during the remaining months of this Congress.

The matter of reform for the Court of Customs and Patent Appeals is under active consideration by the Commission on Revision of the Appellate Court System, of which I am Chairman. I am hopeful that the members of the patent and customs bar will offer comments and suggestions to the Commission and thereby help to shape the recommendations which may be forthcoming from the Commission in this regard.

Mr. President, I ask unanimous consent for printing in the RECORD the text of Chief Judge Markey's opening statement before the First Judicial Conference of the U.S. Court of Customs and Patent Appeals, held on April 30, 1974, followed by my luncheon remarks at that recent event.

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

REMARKS OF CHIEF JUDGE HOWARD T. MARKEY

Welcome, ladies and gentlemen, to the First Judicial Conference in the 65-year history of the United States Court of Customs and Patent Appeals. The theme of the conference is "Improvement in the Administration of Justice" in the court. A subtheme is an effort to pierce, in a proper and productive manner, what I have called the "iron curtain" between the bench and the bar. The presence of almost 600 prominent lawyers, who specialize in customs, patent and trademark law, from all over the country and even from foreign branches of United States companies, testifies to your recognition of the importance of these themes.

Notice that I referred to "the" court. The United States Court of Customs and Patent Appeals is not the Markey court. It is not the judges court. It is not the Government's court. It is, as its title states, a court of the United States. And that means you and me and 210,000,000 Americans.

You are entitled, therefore, to a report on stewardship of this public institution, which I have had the honor to head since June, 1972. At that time the court's backlog was such that decisions were handed down almost three *years* after appeals were filed. We set a goal. We would become current in our work by June, 1974. We were told by experts that five years, plus a miracle or two, would be required. Through the magnificent cooperation of the judges and the fine staff of the court, I am pleased to announce that the court fully expects to be current on June 30, 1974! Eight weeks of work remain until that magic day, but we are exactly on the power curve. If no unforseen events occur, our goal will be achieved. If we miss, it cannot be by more than a case or two.

In these two years the court has written and, after review by the bar, promulgated its first new rules in 20 years; it has adopted many new procedures, in order to preserve old values; it has acquired, for each chamber, the first dictation equipment it ever had; it has replaced two outmoded copiers with three new machines; it has acquired Selectric typewriters for each of its secretaries; it has arranged for emergency interchange with the judges of the Court of Claims; for the first time, all of the court's judges are scheduled (next December) to sit with a Circuit Court of Appeals; the court has a full staff for the first time in many years; it has supplied each judge with an extra set of report volumes, for his use at home in the evenings and on week ends; it has eliminated unproductive and expensive practices of the past; for the first time in history, the court is scheduled to sit outside of Washington, D.C.; and today it conducts the first Judicial Conference in its history.

As taxpayers, you will be glad to know that, in doing all of this, the court *returned* to the Treasury of the United States a portion of the budget which had already been provided by the Congress for fiscal year 1972–73 and then requested from the Congress for the current fiscal year a budget totaling substantially *less* than that provided the year before. I am told by Congressional friends that this was a totally unique event in these inflationary days!

This short outline cannot reflect all of the unusual and overly strenuous efforts of the judges who, as you know, are faced with questions not only of law, but of extremely complex technology in almost every case. The abnormal pace of the past two years cannot be expected forever from mere human beings. The court, which has struggled for 65 years with a single assistant for each judge, while its workload multiplied, is currently requesting from the Congress the authority to hire a second technical advisor for each judge as the need arises. In 25 years, the court has added only 7 people to its staff, the last, a librarian, being requested 8 years ago. The second law clerk provided some years ago to the Courts of Appeals of the Circuits proved to be a most economical means of substantially reducing the interval from appeal to decision in those courts and we know such action will have the same effect in our court.

We have no illusions that we have found all the answers. As an officer of the court, each of you, along with each of the more than 5,000 other members of our bar, has not only the right, but the *duty* to develop and to suggest new ways by which this court can meet its obligation to the people, whose court it is. Help us to achieve the goal—which haunts the days and dreams of every judge—of deciding every case as correctly and as promptly as possible. Justice delayed is justice denied, as we all know. But we want no "production line" attempt at justice. As I see it, justice-rushed is justice-roulette. Hence, when we say "as correctly and promptly as possible" we simply mean that we be *just* in every case.

Similarly, we all, judges and lawyers, whose lives are devoted to public service, have the duty to exert ourselves toward an increased capability and capacity to accept additional burdens and to make that additional capacity known to the Congress and others attempting to solve the public service problem of massive backlogs in the courts.

We all have themes we live by. I have a favorite, which originated with B. W. Jackson and which you may like because it refers to the area of the unknown, where you spend your professional lives. My version is:

"In all that man does, we are still camped on the beachheads. The future is unknown and unknowable. But this time is meant for men who dare greatly—and dream greatly—and let our work catch up—with our dreams."

And now we have a great program today—with expert lecturers and with Senator Roman L. Hruska as our luncheon speaker. So let's get to it.

REMARKS BY ROMAN L. HRUSKA

It is my great pleasure to speak today before the first Judicial Conference of the United States Court of Customs and Patent Appeals.

I am honored by the invitation extended to me for this purpose. Frankly, I must admit that although I have been wedded to the Senate Judiciary Committee for a number of years, my knowledge in the field of customs and patent law is far below that of those gathered here today. To attempt to speak with any authority is somewhat embarrassing—a little like *Mrs.* Henry Kissinger addressing the United Nations!

Undaunted, however, by my own limitations, I would like to offer my thoughts to you on the immense progress that has been made in the past few years in the administration of customs and patent law.

THE CUSTOMS COURT

First, a few comments on the Customs Court, under the present leadership of a man with great ability, Nils Boe. Too few people are aware that the U.S. Customs Court is an article III court and that it is one of the busiest courts in the federal judicial system. The issues it decides affect the economic well-being of many Americans. Nevertheless, customs attorneys normally project a low profile and are hard to find. I am astonished, frankly, to see so many of you here in open daylight at high noon! Seriously, I am informed that this is the largest gathering of those devoted professionally to customs law in this nation's history.

We can all recall the circumstances which led to Congressional passage of the Customs Court Act of 1970.

During the hearings, it became apparent that very little had been done since 1926 to revise the Customs Court practices required to process a customs case. Until 1970, the Customs Court used the same procedures it had used since the establishment of the Board of General Appraisers, an administrative agency, in 1889.

As we all know, developments other than the outmoded procedures and rules of the court itself helped to create a situation of problems. First, there was a significant increase in the volume of imports into this country. Second, a new set of tariff schedules had been adopted. Third, a more aggressive attitude had been adopted by American importers and manufacturers in challenging customs decisions.

The Customs Court Act became effective October 1, 1970. It required the Customs Court to "retool" virtually all of its practices and procedures.

The result has been dramatic. I understand that the pending caseload of the Customs Court has, in the past three years, been re-

duced by more than 50 percent and that a further reduction is anticipated in the future. At the same time, the court has been able to reduce its personnel. I am confident that further significant improvement will continue to occur.

In the future, for example, it may be possible for the Customs Court to utilize electronic data processing. The groundwork for this important development has already been laid.

It is demonstrated by the experience of the Department of Justice, Customs Section of the Civil Division which has a computer terminal available to it in New York City. Each docketed case in the Customs Court is fed into that computer.

I understand that the use of this computer has enabled the consolidation of a large number of customs cases for trial. Additionally, it has served as a good management tool, permitting the government to keep abreast of each docketed case and the developments which are occurring in the field of customs law.

Such benefits prove the worth of an electronic data processing system for this court.

PATENT LAW CHANGES

It is quite possible that the Senate this year will pass a bill which will be the most sweeping revision and reform of patent laws since 1836. Generally, the reforms are designed to modernize the procedures of the Patent Office to permit greater participation by the public in the process of patenting new products, and to make the Patent Office function much like a traditional federal agency.

The current center of legislative activity is the Senate Judiciary Subcommittee on Patents, Trademarks and Copyrights, chaired by my distinguished colleague, Senator John McClellan.

An intensive review of pending bills has been conducted by the subcommittee staff in recent months. The members will be meeting within the very near future to consider this subject. A very intensive study was conducted by both the Justice Department's Antitrust Division and the Commerce Department in this field.

Many of the conflicting viewpoints between the two agencies have been resolved. Although certain issues remain open for debate, I am hopeful that this important legislation can be brought to the attention of the entire Senate within the near future.

There is no dearth of other proposals relating to patent law. The literature continues to grow rapidly. The problems of judicial administration in this field are viewed by some as persistent and serious. I recently had occasion to study a paper presented by Roy H. Wepner earlier this year at a Seminar on the Federal Court Appellate System given at the University of Pennsylvania Law School under the direction of Professor A. Leo Levin.

Mr. Wepner undertook to examine the function of various appellate courts in the area of patent law, a subject not unknown to members of this audience. I mention this paper not only because it is certainly one of the most recent works in the field, but also because of its timely and direct connection to the work being done by the Commission on Revision of the Federal Court of Appellate System, of which I am Chairman and Professor Levin is Executive Director.

Mr. Wepner reviews the problems encountered by generalist judges in dealing not only with what are viewed as esoteric doctrines of patent law, but also with complex technical issues—without even the benefit of Technical Assistants as are provided to Court of Customs and Patent Appeals judges. He argues that appellate review of patent issues places severe strains on the courts of appeal, already overburdened. In addition, he discusses the problem of inter-circuit conflict on questions of patent validity. Some circuits, he notes, are much more likely than others to hold patents invalid.

Prior to 1971, a patentee could bring unlimited infringement actions on the same patent because the mutuality doctrine prevented different defendants from pleading an estoppel. Thus, a patent might be valid in some parts of the country but invalid in others. In 1971, the Supmeme Court, attempting to correct this long-standing problem, handed down its decision in *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313 (1971). This case stringently limits the mutuality doctrine in patent infringement actions. Thus, a patentee is now bound by the first judgment of invalidity rendered against him, assuming, of course, that he has received a full and fair hearing.

This development, however, has resulted in forum shopping. In the words of Judge Friendly, "mad and undignified races . . . between a patentee who wishes to sue for infringement in one circuit believed to be benign toward patents, and a user who wants to obtain a declaration of invalidity or non-infringement in one believed to be hostile to them."

Therefore, Wepner points out that neither allowing relitigation, nor eliminating the mutuality doctrine is a sufficient answer. He suggests that a better cure to the problems of inter-circuit conflicts is to have one court ultimately decide all patent cases: the Court of Customs and Patent Appeals, with ultimate power of review in the Supreme Court.

Another area of potential change is found is this: Today there are alternate routes for obtaining judicial review of Patent Office action (1) appeal to the Court of Customs and Patent Appeals or (2) what is termed trial de novo in the U.S. District Court for the District of Columbia. This dual system of review, in my judgment, has not made for uniformity or dependability in the federal patent law. It has been urged that the best solution in this area is to abolish the civil action in the district court, and vest jurisdiction of all judicial review on Patent Office actions in the Court of Customs and Patent Appeals.

In my view, these are matters which should be given serious consideration. They are subjects appropriate for study and recommendation by the Commission on Revision of the Federal Court Appellate System.

I believe, speaking for the Commission, that each of you should be partners in our work, giving us the benefit of your own rich experience and long consideration of the problems as they affect you, your clients and the citizens of this country generally, for whose ultimate benefit the patent system was devised.

We have already received from the judges of this court a detailed and thoughtful analysis of possible solutions to these problems and of the capability of the Court of Customs and Patent Appeals to deal with them. The memorandum to which I refer was prepared in response to a scientific request by the Commission through its Executive Director. I should like to pay tribute at this time to Chief Judge Howard T. Markey, a highly distinguished jurist, and all of the other members of this court as well for the help they are providing the Commission on this matter. Indeed, let me extend that tribute to encompass the remarkable achievement reported by Chief Judge Markey earlier today: the success of this court in virtually eliminating its backlog.

As I indicated earlier, the members of the Commission seek the advice of the bar, as well as of the judiciary, in proceeding with the task assigned us by the Congress. In a very real sense, we think of this venture as a partnership designed to improve the operation of the Federal court appellate system. Perhaps the nature of that partnership, as I envision it, can best be indicated by a brief report on the work of the Commission up to this time, for we already have had the benefit of significant input from lawyers all over the country. Let me elaborate.

Congress, in establishing the Commission, divided its task into two major assignments. The purpose of Phase I, now completed, was to study the circuit court geographic boundaries. The Commission held hearings in ten cities. Many valuable ideas and opinions were presented to the Commission by judges and members of the bar. Pending in the Senate are bills containing the Commission's recommended changes for boundaries of the several circuits—notably in the 5th and 9th, and perhaps in the 8th.

Phase II, the more ambitious and challenging assignment, is now underway. For the next several months—and hopefully longer—the Commission will be studying the structure and internal procedures of the Federal courts of appeal and preparing recommendations for change in those broad areas. Our next series of hearings is scheduled to be held in Washington, D.C. on May 20 and 21. I would encourage any of you who wish to offer comments on this subject to contact Professor Levin. We heartily welcome your able assistance in tackling this most important project.

I would like to mention in passing a few of my own thoughts on expanding the jurisdiction of the Court of Customs and Patent Appeals to other important areas of federal law. For example, the field of atomic energy or disputes which arise out of the "most favored nation" rule. In the latter instance, perhaps thought should be given to having appeals from the Tariff Commission go to the Court of Customs and Patent Appeals on an expanded jurisdictional basis, instead of to the White House, where they are presently docketed.

An example of this type of approach can be found in a law, the Plant Variety Protection Act, authored by Jack Miller, while a member of the Senate in 1970. This law protects the inventor of new species of plants. In the case of a dispute over authorship, the Secretary of Agriculture makes an initial determination which an aggrieved party can appeal directly to the Court of Customs and Patent Appeals. No appeals have yet been taken under this new law, but the procedure is there if such an instance arises. In my view, it is a good procedure, one which adds certainty and uniformity to the administration of federal remedies.

These ideas and many others, I believe, are worthy of thorough exploration with a view toward expanding the operations and responsibility of the Court of Customs and Patent Appeals in such a way as to more fully utilize this court and its valuable resources.

At this, the first Judicial Conference of the Court of Customs and Patent Appeals, it is appropriate, I believe, to refer to a history of the court, one which was published some years ago as part of the larger study, The History of American Customs Jurisprudence. The author, William H. Futrell, details the problems which led to the creation of what was earlier known as the Court of Customs Appeals. In many ways, the

problems he describes with respect to customs litigation at the turn of the century, read as though it were an account by a contemporary patent lawyer. More important, he reports on the success which the new Court achieved.

I mention this not only to applaud the wisdom of those who acted in the early years of this century. I mention it because today, too, we are examining the wisdom, or lack of wisdom, inherent in a variety of proposals for change. The ultimate test of a pudding is at the table. Likewise, the ultimate evaluation of any change must lie in what it achieves. The judgment can only come in the perspective of history. Whatever changes may result with respect to patent law, customs law or the scope of litigation entrusted to the Court of Customs and Patent Appeals, I hope that they prove as wise as did the creation of this court.

I have greatly enjoyed the opportunity to offer these comments at this important point in the history of the Court of Customs and Patent Appeals. I rejoice with you in the significant accomplishments which have been made to date.

Finally, I wish you well in the proceedings of this First Judicial Conference. It is a wholesome and ambitious undertaking, one which has the prospect of developing into a valuable tradition. I maintain the highest confidence that this event will serve that important purpose.

THE FOOD FOR PEACE PROGRAM

Mr. ABOUREZK. Mr. President, according to numerous reports, the United States is using nearly half of its $1 billion food for peace program budget to supply South Vietnam and Cambodia with commodities which can be converted into money for military purposes.

Despite the world wide food shortage, shipments of rice to Korea and Indonesia have been canceled in order to send 600,000 tons of rice promised to Indochina.

John Maclean, of the Chicago Tribune, quotes a Nixon administration official as saying:

> Indochina is top priority because of our security relationship with those countries.

In Cambodia, the Nixon administration has given the Nol regime special permission to use up to 80 percent of the proceeds from the sale of American food for "common defense" and "internal security." In South Vietnam, the Thieu regime is permitted to spend a full 100 percent of the food proceeds on military buildups.

For years, the food for peace program has won friends for the United States among the world's poor, but this, Mr. President, is now almost a thing of the past. We have indelibly marred the image and purpose of this once valuable program with the perverted policy changes which have been manipulated for Indochina.

Certainly, the time has come to give a full review to this program. I sincerely hope that the House and Senate committees will give the food for peace program a hard look before any additional funds are approved for fiscal year 1975.

Recently, Mr. William Goodfellow, currently the Director of Research at the Indochina Resource Center, testified before the House Appropriations Subcommittee on Agriculture on the food for peace program. The statement which Mr. Goodfellow provided to the committee at that time presents an excellent discussion of the program now being implemented in Indochina.

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

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

TESTIMONY OF WILLIAM C. GOODFELLOW

The Food for Peace program in South Vietnam and Cambodia can be evaluated only in the context of the continuing hostilities in both countries. Peace is a necessary prerequisite for any move toward agricultural self-sufficiency for either South Vietnam or Cambodia, and hence the PL 480 program should be administered in a manner that encourages the peaceful resolution of hostilities as prescribed by the Paris Agreement on Ending the War and Restoring Peace in Vietnam, signed January 27, 1973.

I shall endeavor to illustrate how the PL 480 program fails to meet the urgent needs of the people of South Vietnam and Cambodia and further, actually contributes to the conflict through counterpart funds that are used for military purposes.

Section 40 of the fiscal year 1974 Foreign Assistance Authorization bill which prohibits the continued use of PL 480-generated currencies for "common defense" purposes is a very significant step toward de-politicizing the Food for Peace program, although the continued high level of Title I sales agreements with South Vietnam and Cambodia still provides massive subsidies to President Thieu's and Premier Lon Nol's budgets.

In South Vietnam and Cambodia the PL 480 priorities are being established by the National Security Council. Commodity levels have become a function of "security considerations," and are used by the Administration to maintain President Thieu of South Vietnam and Premier Lon Nol of Cambodia in power.

Of course the PL 480 program is only a small component of an elaborate program of massive U.S. aid to maintain the status quo in Indochina, a status quo that insures the continuation of hostilities. A change in the PL 480 program must be accompanied by a similar change in the entire U.S. aid structure. In Indochina our aid should be given in accordance with the provisions of the Paris Agreement. Food for Peace should be programmed to meet the needs of the people of Indochina, and should not be used for military objectives.

CURRENT AGRICULTURAL SITUATION IN SOUTH VIETNAM AND CAMBODIA

Indochina, once called the rice-bowl of Asia, is today dependent on massive amounts of U.S.-supplied agricultural commodities to feed its people. This situation is the result of a war that has displaced or made refugees at one time or another over one-half of the area's population, a war that continues to this day. Before the war 80 per cent of all South Vietnamese and 87 per cent of all Cambodians lived in rural areas and were employed in the agricultural sector. Today, as a result of a deliberate policy on the part of the Government of [South] Vietnam (GVN) and the United States of forced urbanization, as well as an attempt by people living in the countryside to flee the fighting, the bombs, and vast tracts of the countryside that have been defoliated, there has been an enormous move of rural people into the already over-crowded urban areas. Once in the cities the displaced persons are no longer able to produce food for their own consumption and are thus rendered completely dependent on the government.

In Cambodia, as in Vietnam, over half of the population has been forced to move as refugees since the beginning of the war. However, in Cambodia, this has been accomplished in the span of four years, while in South Vietnam the war has been continuing for almost ten years. The pro-U.S. government of Mrashal Lon Nol now controls an estimated 10 to 15 percent of that country's territory. Crowded into this small area is over 50 per cent of Cambodia's population. The city of Phnom Penh has grown from 400,000 in 1970 to between one-and-one-half to two million in 1974. Cambodia, before the overthrow of Sihanouk and the subsequent U.S.-South Vietnamese invasion, had an economy that was able to export $40 million annually worth of rice and rubber. The rice shortage today in Cambodia is described by the January 27, 1974, report of the Subcommittee to Investigate Problems Connected with Refugees and Escapees:

"Rice has become in short supply everywhere as a result of the war and the country's stagnating agricultural economy. Many refugees are fleeing to government held areas in hope of securing food. Despite the fact that the United States is supplying nearly all of the rice consumed in areas under government control, these new refugees may be moving in vain. For a serious nationwide shortage of rice is now compounded in many provincial areas by the government's inability to move rice from Phnom Penh to outlying areas." [1]

THE WAR'S END IS A PREREQUISITE FOR PROGRESS TOWARD AGRICULTURAL SELF-SUFFICIENCY

The shortages of foodstuffs in South Vietnam and Cambodia is a function of the continuing conflict in both countries. No new economic policies, however enlightened, nor no amount of "miracle rice" and fertilizer will enable either South Vietnam or Cambodia to feed its people so long as the hostilities continue.

Once the prerequisite of peace is established both South Vietnam and Cambodia in a very short time will become self-sufficient in rice and most other cereals and in a few years both countries should again be able to export large quantities of rice.

Neither country can be considered overpopulated, therefore their potential to feed themselves should easily be realized.

An in-depth study of the economy of South Vietnam was conducted by the World Bank. The study's report (Report No. 315-VN), dated January 18, 1974, points out that "out of 17 million hectares total land area (in South Vietnam), only about 3 million, or 17 percent, are cultivated, including an estimated 0.3 million under double cropping. Total arable land however is placed at approximately 6 million hectares. This indicates that there is room for major expansion." [2]

The report concludes, however, that there are major obstacles to limiting the South Vietnamese Government's (GVN) efforts to expand land under cultivation: "Lack of security is the main constraint. While the program of resettling refugees on new and abandoned lands is proceeding, the Government is finding it difficult to locate secure areas suitable for farming." [3]

The World Bank study developed an index of agricultural production for South Vietnam that illustrates dramatically how the hostilities have retarded agricultural development.

[1] p. 90.
[2] p. 36.
[3] p. 43.

Index of agricultural production[4]
(1960=100)

1963	108.3
1966	92.5
1967	96.9
1968	87.1
1969	97.6
1970	106.3
1971	117.0
1972	114.3

From 1960 to 1972 agricultural production increased by about 14 percent. During that same period South Vietnam's population increased by 6 million people, an increase of 42 percent.

The situation in Cambodia is even more desperate. According to figures released in March, 1974, by the U.S. Department of Agriculture's Economic Research Service, Cambodia, during the years 1967–1971, cultivating an average yearly acreage of 2,246,000, was able to produce an average of 2,810,000 metric tons of rice. In 1973, Cambodia's acreage had fallen to only 750,000 and its yearly crop of rice to 955,000 metric tons, in both cases a precipitous drop of almost two-thirds.[5]

In calendar year 1974 the acreage in both South Vietnam and Cambodia planted in "miracle rice" will decrease as a result of two developments. First, the price of petroleum fuels has risen so dramatically that farmers can no longer afford to operate the mechanized equipment to till their paddies. And second, the cost of fertilizer, an essential ingredient for the cultivation of "miracle rice", has risen to prohibitive levels. The only solution to the food shortage in Indochina involves getting the refugees and many former rural people now living in the cities back in the countryside and again producing agricultural products. The shortages will continue until farmers return to their farms and greatly increase the acreage presently under cultivation, that is, until there is an end to the hostilities.

PUBLIC LAW 480 TITLE I AND TITLE II DISTRIBUTION

Food for Peace commodities are channeled to South Vietnam and Cambodia through two different programs, or titles. Title I commodities, which account for almost all of South Vietnam's and Cambodia's share of the program, are sold to the recipient government by the United States on extremely easy credit terms, which include a 10 year period of grace from the time the agreement is signed until the recipient government must begin to repay the loan. The recipient government then sells the commodities to local merchants, who pay in local currency (piasters in Vietnam and riels in Cambodia) and in turn sell the commodities to those people able to pay.

Title II of PL 480 is a grant program. Commodities are given on a grant basis by the U.S. government to either the recipient government or to voluntary agencies operating in-country for distribution to refugees and others in need.

In fiscal year 1968 the Title II grant program, used primarily to feed refugees, totalled $41.7 million. In fiscal year 1971 it had been cut back to $23.1 million, in fiscal year 1974 it amounted to only $700,000 and for fiscal year 1975 the Administration's proposal for Title II is a mere $553,000, or less than $0.70 worth of commodities for each refugee officially registered in South Vietnam during calendar year 1973.[6]

According to A.I.D. officials who administer the PL 480 program, the switch away from Title II programs was a result of the corruption and consequent inefficiency of the GVN's administration of the food giveaways, which very often ended up on the black market.

Title I sales, on the other hand, have been greatly increased. In fiscal year 1972 the Title I total for South Vietnam was $63.3 million, and in 1973 $179 million. Last year the Administration, in its annual Congressional Presentation, projected a Title I total for Vietnam of $175 million. As a result of increased amounts of commodities shipped and dramatically increased prices for both the commodities and the shipping, the Vietnam total has increased to $304.8 million.

The increase in Title I shipments to Cambodia has been even more dramatic. Before fiscal year 1971 Cambodia received almost no PL 480 commodities. In fiscal year 1971 the Title I program totalled $8.5 million, and by fiscal year 1973 it had grown to $25.8 million. The Administration's Fiscal Year 1974 Congressional Presentation last May projected Title I PL 480 for Cambodia at $30 million. The current Title I total for fiscal year 1974 is well over six times that original projection, $194.2 million.

Meanwhile Title II grants to Cambodia have continued at an almost insignificant level. From fiscal year 1969 to fiscal year 1973 Title II grants to Cambodia, all in milk distributed by UNICEF, ranged from $11,000 to $19,000. In fiscal year 1974 the total will reach about $30,000, mostly in the form of corn-soy mix, a milk substitute.

The argument for Title I sales of commodities over Title II grants has been the preference for a free-market distribution system over a corrupt and inefficient government-run distribution apparatus. A sales program can be justified only when a free market is properly working and when those in need possess enough money to purchase the rice and other foodstuffs being brought into the country. The following two articles, reprinted in their entirety from Vietnamese language newspapers translated by the American Embassy in Saigon, graphically illustrate the insufficiency and inequity of such a distribution system.

Starvation in the central area

Cong Luan (Independent), March 27:

"For the first time, the RVN Ministry of Social Welfare has affirmed that starvation exists in the Central Area . . . The reasons for this situation are numerous, and the responsibility for it obvious. According to the Minister for Trade and Industry, rice is available in large quantities, but the people cannot buy it because they have no money. This statement by an economic leader shows the real economic situation of the people: They have no money. That is not strange—Vietnam has always been a weak and poor nation. Despite this fact, however, until this date the people always had enough money to buy their rice. So why do they now have no more money to buy rice? We reserve the answer to the Minister for Trade and Industry, because once the problem is posed, the answer becomes evident.

"Concerning the situation in Thua Thien and in the other provinces of the Central Area . . . the responsibility for the present tragedy must be laid primarily on the regional leaders: The province chiefs in MR–1 must be held directly responsible for this state of things, since they have been unable to settle the economic problems of the people in their localities . . . In the case of the Thua Thien province, the province chief, concurrently Mayor of Hue, must bear all the responsibility. Either he and his subordinate district chiefs have been inefficient in coping with starvation problems, or they have displayed complicity with or impotence toward dishonest trade practices, thus causing starvation among the people.

"We have twice sounded the alarm concerning the tragic situation in the Central Area, and we have called on the central government to care for the situation there urgently before a disaster takes place. We are posing the problem once more, and we sound the bell to awaken every person responsible for the lives of the people of the Central Area before the necessity for urgent salvation—and not merely relief—in regard to economic measures."

Progovernment Senator optimistic: Exportation of rice possible but not permitted by Americans

Dien Tin (Opposition):

SAIGON, March 22.—Progovernment Senator Tran Tan Toan, confirmed Monday at the Senate that the Ministry of Agriculture was capable of exporting rice in 1974, but it had to postpone the exportation to avoid a conflict of interests with the US.

He said it was true that this Ministry intended to export 50,000 tons in a preliminary phase, but at present several other countries were increasing their consumption of American rice, so that it would be hard not to provoke a clash with the US by carrying out that plan.

Answering the question as to how exportation would be possible while the population did not have enough to eat, he said the production of in-land rice was more than sufficient but the population was too poor to buy. He quoted a number of social tragedies occurring in the past few years, which could be explained by extreme poverty. (NTD)

Obviously refugees, the unemployed and the under-employed are not going to be able to buy rice if they do not have necessary money. During the past year the world price of rice has risen 162 percent, although the retail price in South Vietnam has tripled along with a 65 percent inflation rate for the economy as a whole.

On March 6, 1974, the *Baltimore Sun*, in a story datelined Phnom Penh by Arnold R. Isaacs, reported that U.S. voluntary relief agencies in Cambodia—CARE, Catholic Relief Services, World Vision and the International Red Cross—must buy PL 480 rice from the Cambodian government in order to feed refugees, Mr. Isaacs writes:

" 'Food for Peace' rice is purchased at market prices by the U.S. government in the U.S. or elsewhere abroad.

"The voluntary agencies, using . . . 'counterpart funds' generated by U.S. aid, then purchase the rice back from the Cambodian government at a subsidized price of about $148 a ton—currently less than half the world price.

"Thus, in effect the U.S. is buying it twice, once abroad on the world market for dollars and again in Cambodia for counterpart Cambodian riels."

Clearly the problems facing the refugees and the unemployed and the under-employed in South Vietnam and Cambodia will continue as long as the hostilities continue. However, it seems urgent that a comprehensive and efficient system of private refugee assistance organizations be set up to handle vastly increased Title II grants of commodities. The disintegration of the South Vietnamese piaster and the Cambodian riel is such that the free-market system no longer operates effectively in either country.

HOW PUBLIC LAW 480 LEVELS ARE DETERMINED

The PL 480 program was started in 1954 by the 83rd Congress as the Agricultural Trade Development and Assistance Act of 1954. Its legislated purpose was "To increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes."

The Food for Peace program in South Vietnam and Cambodia is being used primarily to augment the U.S. military effort in those

[4] p. 38.
[5] "Rice Situation" (RS–23), March 1974, p. 21.
[6] 818.700 newly registered refugees in CY 1973 (January 27, 1974 Report of Subcommittee to Investigate Problems Connected with Refugees and Escapees, p. 6).

countries. PL 480 levels, according to officials at the U.S. Department of Agriculture, are being programmed for "strategic security." Priorities and commodity levels are being determined by the National Security Council rather than the Agriculture Department or even A.I.D.

Faced with problems of commodity availability in the United States and dramatically rising prices, the Agriculture Department determined that there was no need "to increase the consumption of United States agricultural commodities in foreign countries," and hence submitted a request for a zero dollar budget level for PL 480 in fiscal year 1975.

In submitting a request for no PL 480 funds for the next fiscal year, the Agriculture Department was merely acknowledging that no export commodities were needed to strengthen the commodity market in the United States. The Department was not trying to do away with the program. However, many officials at the Agriculture Department are resentful of the PL 480 program in South Vietnam and Cambodia. They say that the White House agencies, primarily the National Security Council, are responsible for determining the size of the programs in those two countries and uses for which counterpart currencies may be used, while it is the Agriculture Department that "gets the flack" from Congress and the press for the program's abuses.

In past years PL 480 levels in Indochina were the result of input by three government agencies. A.I.D. would submit its request for country needs based on requests from the recipient country and voluntary agencies, plus A.I.D.'s own assessment of in-country commercial needs. The Agriculture Department would submit its request based on commodity availability and the need to stimulate U.S. markets. The Office of Management and Budget (OMB) would then determine how much money was available for the entire program. A final program came out of an Interagency Staff Committee made up of representatives of the above department.

Beginning in fiscal year 1974 a number of White House agencies were added to the decision-making process, including the Council of International Economic Policy and the National Security Council, to constitute what is referred to as the Augmented Interagency Staff Committee. Department of Agriculture officials say, with some bitterness, that the White House agencies, with more prestige and influence, are now "calling the shots." The widespread feeling among officials in the Agriculture Department who work on the PL 480 program for South Vietnam and Cambodia is that the Department is being used by the Administration as a conduit for commodities and funds in counterpart currencies that serve a primarily strategic military purpose rather than a commercial or humanitarian purpose.

USE OF COUNTERPART CURRENCIES

South Vietnam and Cambodia, under Section 104(c) of the PL 480 legislation, have been able to use 80 percent of the local (counterpart) currencies generated from the sale of Title I commodities "to procure equipment, materials, facilities, and services for the common defense including internal security." In October 1973 an adjustment of the program was made by the Administration that increased South Vietnam's amount available for "common defense" to 100 percent of the currencies generated from PL 480 Title I sales.

Section 104(c) will make available $300 million in fiscal year 1974 for South Vietnam to use for "common defense including internal security." South Vietnam's cumulative total under section 104(c) is $1,200 million. Cambodia in fiscal year 1974 is eligible for $155 million in "common defense" funds bringing its cumulative total to $199 million.

However, Section 40 of the Foreign Assistance Authorization bill, signed into law December 17, 1973, provides language prohibiting the expenditure of counterpart, PL 480—generated currencies unless such use is expressly authorized by Congress. Since the Administration has not come back to Congress for such authorization, which they would have little or no chance of getting, the use of counterpart funds for military purposes must end by the beginning of fiscal year 1975, July 1, 1974. Most observers in and out of government feel that the July 1 deadline on Section 104(c) agreements[7] is at least in part responsible for the dramatic increase in Title I program totals for both South Vietnam and Cambodia.

Section 104(c) essentially just writes off the debt incurred by the recipient countries in procuring PL 480 commodities. It allows South Vietnam and Cambodia to use the piasters and riels paid to them for PL 480 commodities by local merchants to enlarge their military and police budgets.

The new language in Section 40 of the Authorization bill means that the PL 480 debt may no longer be just written off. However, both South Vietnam and Cambodia will be eligible for very generous credit terms that provide for an initial 10 year period of grace on principle at 2 percent interest and 40 years in which to repay the "loan" at 3 percent interest.

The effect of providing a 10-year period of grace before repayment must begin will be to provide the governments of South Vietnam and Cambodia with a loan that may be used for "development" and general budgetary support. Thus freeing an equal amount of money that may be spent as the recipient governments see fit. An official in the Agriculture Department remarked, "Once they have the commodities its their money." Because PL 480 monies are so fungible, the effect of the section 40 prohibition on their use for "common defense" will be negligible, easily circumvented by adjustments in bookkeeping. The same Agriculture Department official remarked, "These debts will not come due for another 10 years. Right now in Vietnam and Cambodia they are worried about how they are going to get through next week. They do not have time to worry about 1984."

PUBLIC LAW 480 LEVELS FOR FISCAL YEAR 1975

The official projections for fiscal year 1975 country by country Food For Peace levels will be made public when A.I.D. sends to Congress its annual Congressional Presentation books.

In November 1973 the U.S. Embassy in Saigon sent to Washington its request for PL 480 Title I commodities totalling $283.4 million. The Embassy requested 350,000 metric tons in fiscal year 1974 and 420,000 metric tons of wheat, up from 150,000 metric tons in fiscal year 1974.

An advance look at A.I.D. Congressional Presentation book for fiscal year 1975 reveals that the Administration's projection for Title I commodities is $160 million, and for Title II a mere $553,000. Since the Embassy's request was for more commodities in fiscal year 1975 than in the previous year, the lower A.I.D. projections raise some new questions. Is Congress being misled by an unrealistically low projection for fiscal year 1975 that as the year progresses will climb dramatically, or has the program been given a lower priority now that counter-part currencies can no longer be channeled directly into South Vietnam's and Cambodia's defense budgets?

[7] The July 1 deadline applies to the date on which agreements for commodities are signed and funds obligated, not to the date the funds are actually expended. Therefore currencies may continue to be generated from PL 480 expenditures many months after the deadline.

The fiscal year 1975 projections for Cambodia as revealed by the Congressional Presentation book are $77 million for Title I sales and only $11,000 for Title II grants for refugees.

CONCLUSION

The Food for Peace program must be drastically restructured in South Vietnam and Cambodia to prevent its continued use by the Administration for "security considerations" in both countries.

The Title I sales program should be sharply reduced, if not suspended, in conjunction with a general suspension of non-humanitarian U.S. aid to any party in South Vietnam who fails to act in accordance with the provisions of the Paris Agreement. Until peace is restored in South Vietnam and Cambodia the United States will find itself being relied upon to ship huge amounts of grains and other commodities to Indochina while shortages and rising prices prevail at home.

The Food for Peace program has no country-by-country ceilings. There is nothing to prevent the Administration from diverting huge amounts of PL 480 commodities from other parts of the world to Indochina this next year, as they did in fiscal year 1974.

It is imperative that Congress impose a ceiling on the total amount of Food for Peace commodities that may be obligated for South Vietnam and Cambodia during the next fiscal year.

The refugees, the unemployed and the under-employed who most need the PL 480 foodstuffs do not have the money with which to buy them. The free-market system in South Vietnam today is not functioning efficiently and is not distributing PL 480 commodities to those in need. In South Vietnam today there is actually an excess of rice in the Thieu government's warehouses and open talk of exporting as much as 50,000 metric tons. A rather sizeable pipeline of undelivered commodities exists. This results in part from the Administration's rush to get the maximum number of agreements signed before the July 1 prohibition on common defense use of PL 480-generated currencies became effective.

When all parties in Indochina begin to act in accordance with the provisions of the Paris Agreement, Congress should re-examine the Title I program in South Vietnam and Cambodia in an attempt to determine if the Title I program is the best way to distribute PL 480 commodities to those in need. The advent of peace and the subsequent return of the refugees to their homes and farm lands should within a year put both South Vietnam and Cambodia on the road to self-sufficiency in terms of foodstuffs and thus will free limited PL 480 commodities for use in other areas of the world where the demand is caused by a calamity of nature, rather than by a political conflict.

To meet the immediate needs of South Vietnam's and Cambodia's people the Title II grant program should be increased and some mechanism developed utilizing voluntary agencies and multilateral organizations, that will distribute the commodities to those most in need, especially refugees. But this program need by of only short duration, for soon after they leave the refugee and "resettlement" camps and return to their homes the refugees will again become productive members of the society and will start providing their own food.

The world is experiencing a severe food shortage in the less-developed countries. World surplus grain stocks are at a 20-year low, and a series of droughts in the Sub-Sahara region of Africa could cause the deaths of millions of people as a result of starvation and of diseases rendered fatal by malnutrition.

In the face of such desperate needs the United States can no longer justify diverting 45 percent of total PL 480 commodities to South Vietnam and Cambodia under a

program that is poorly administered, politically short-sighted, and inimical to the implementation of a peaceful settlement to the conflict that continues in Indochina.

JOHN F. GRINER

Mr. ERVIN. Mr. President, with the recent death of John F. Griner, we have lost a champion of the rights of individuals and Federal employees everywhere.

I recall the valuable assistance that Mr. Griner gave me and the Constitutional Rights Subcommittee in our efforts on behalf of Federal employees while he was president of the American Federation of Government Employees between 1962 and 1972. Mr. Griner was always willing to spend his time and efforts in promoting the cause of Federal employees and was always available to give advice whenever we called upon him.

I join my colleagues and fellow citizens in expressing condolences over John Griner's untimely death to his widow, family, friends, and associates.

EXTENSION OF TIME FOR THE GI BILL

Mr. THURMOND. Mr. President, the extension of the current period from 8 to 10 years in which veterans can use their GI bill eligibility, requires our urgent action. I urge passage of S. 3398.

I am pleased to coauthor this provision with other members of the Veterans' Affairs Committee, and believe it is significant that a majority of our colleagues have asked to join as cosponsors.

On February 21, the House of Representatives passed the 1974 GI bill amendments. Their bill included an identical provision. Unfortunately, Senate action cannot be completed by May 31, because of the comprehensive nature of the bill. Unless S. 3398 is enacted immediately, it will not accomplish its purpose.

It is estimated that 4.1 million veterans will have their GI bill eligibility expire on May 31. Of this group, approximately 2.6 million veterans have never taken advantage of training under the GI bill. Over 500,000, who trained at some point during fiscal year 1974, will be adversely affected on May 31. Around 285,000 veterans actually in training on May 31, will lose their benefits if the extension is not adopted.

Obviously, many veterans have been late in taking advantage of GI bill education benefits. The reasons are simple. When the current GI bill was enacted into law in June 1966, each veteran was given 8 years from his date of discharge to use his GI bill eligibility. The GI bill was made retroactive to include post-Korean war veterans who served from 1955 to 1966. For many of them, the 8-year delimiting period, if measured from date of discharge, would have automatically precluded their eligibility. Consequently, the law was written to read: 8 years from date of discharge or 8 years after enactment of the law, whichever is later.

Mr. President, in 1966, such a provision appeared to be more than adequate; but measured against subsequent developments, there is no question that the law must be amended.

First, when the eligibility was retroactively provided to post-Korean veterans, most of these men were already established in a job. It took a significant time, and in some instances a sacrifice, for them to move from their jobs into the academic sector. In many instances, they waited until the benefit levels were raised before they decided to go back to school.

Second, our educational system has changed greatly in the past 8 years. Now advanced degrees are required. In the area of technical education, some students require longer than 8 years to accomplish their educational objectives.

Mr. President, I have received more mail on this particular provision than any other provision dealing with the GI bill. Each writer has spoken of the urgency of the need for an extension.

On April 20, I held an open field hearing in Columbia, S.C., on veterans education benefits. Every witnesses supported the extension. No one opposed it.

Mr. President, we are not conferring additional benefits on anyone. We are merely extending the time period within which a veteran may use the benefits which have already accrued to him.

Given the extraordinary way these benefits were conferred on the post-Korean war veterans; that is, retroactively, I think they merit the additional 2 years to complete their educational objectives. Given the increasingly complex educational structure with which our Vietnam veterans must contend, they, too, should be given 10 years, instead of 8 years, to pursue their education goals.

Mr. President, two other points remain.

First, the projected first year cost is in excess of $500 million. Until hours before the committee marked up this bill, VA cost estimates were given as $175 million.

In any event, we should note these benefits were conferred by prior law, and already "belong" to the veteran. S. 3398 merely extends the time period for the veteran to use his benefits.

Second, severing the extension provision from the comprehensive bill in no way tempers the urgency for passing a comprehensive bill as soon as hearings are completed and as soon as a mark-up session can be held. I am hopeful this can be done within the next several weeks.

We must give our young veterans enough time to make plans for summer school, and the VA time to program the computers to take into account the extension. Otherwise, disastrous consequences will ensue for those student-veterans who must plan for the summer session.

Mr. President, I urge my colleagues to approve S. 3398. I hope the House will act expeditiously on a similar measure, and I hope the President will sign this provision into law.

A NEW COMMODITY COMMISSION

Mr. CLARK. Mr. President, next week, the Senate Agriculture Committee will hold a series of hearings on the commodity futures trade and the Government regulation of it. Given the unprecedented fluctuations in the price of food over the last year and the unprecedented controversy over the commodity trade and the Federal Government's Commodity Exchange Authority, the hearings are very timely and very important.

The commodity future trade involves a great deal of money. Right now, there are 14 active commodity exchanges, and last year alone, $290 billion in regulated commodities were bought and sold on those exchanges. When unregulated commodities are included, the total exceeds $500 billion, and that is more than double the volume of the New York Stock Exchange.

It is a very big business, and in one way or another, everyone feels its impact.

The commodity futures trade involves this country's most basic products—cotton, corn, soybeans, wheat, silver, propane, copper. Contracts to buy and sell these commodities are traded on the exchanges, much like a stock. And like a stock, the price of a futures contract changes—often dramatically in a matter of minutes or hours. It affects the price the farmer receives for his product, the price middlemen pay for raw goods, and the price the housewife pays for goods on the supermarket shelf.

Yet the importance of the commodity futures trade never has been reflected in the Federal Government's interest, concern, or regulation of it. And the need for that attention surely has been apparent. One thing is certain: the commodity exchanges can no longer be permitted to regulate themselves as they have done for the last 100 years.

In part because of the commodity trade's importance, in part because of the reports of abuse and manipulation in the commodity trade itself, a number of bills have been introduced to replace the Commodity Exchange Authority—CEA—with a new agency, an agency with more manpower, more authority, and more independence. The House of Representatives already has passed legislation (H.R. 13113) which represents a significant step forward. But when it comes to authority and independence, it does not go far enough. The new agency still is dependent on the Department of Agriculture under the House bill.

The legislation that we are introducing today does take that extra step. It gives the new Commodity Futures Exchange Commission the authority and total independence necessary to protect the farmer, the retailer, and the consumer while, at the same time, enabling the commodity exchanges to operate as efficiently as possible.

This legislation is a revised version of a bill introduced by Senator HART last December. But there is an important difference this time. The proposal we are introducing today reflects the results of a year-long investigation by the General Accounting Office of the commodity futures trade and the Government regulation of it through the CEA. It is a thorough and comprehensive report. It makes a compelling case for new legislation—and for an independent commission with full-time commissioners. When I first asked the GAO to make this in-

vestigation, there was strong evidence for reform—from many sources.

Now, in our judgment, the case for reform has been made.

We will be testifying on the bill before the Senate Agriculture Committee next week, and we hope that the committee will give it every consideration.

Mr. President, I ask unanimous consent that a summary of S. 2837 and an article from the Des Moines Register or the GAO report be printed in the RECORD.

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

SUMMARY OF S. 2837: THE FUTURES EXCHANGE ACT (SENATORS HART, SCOTT OF PENNSYLVANIA, CLARK, AND CASE)

The bill incorporates the existing Commodity Exchange Act (CEA), revising its language and significantly improving many of its provisions. The original Act had been amended 18 separate times, and it has become difficult to understand. S. 2837 clarifies the provisions of the Act, but more importantly, it enlarges the scope of the government regulatory agency, giving the commission greater authority and independence to carry out the provisions of the Act.

These are the bill's most significant provisions:

It establishes a five-member, full-time independent commission, appointed by the President subject to the confirmation of the Senate (sec. 104(a), p. 9). The new commission will assume all of the functions and property of the present Commodity Exchange Authority (sec. 603(a)).

Regulates, all futures contracts, not just the few agricultural products regulated today (Sec. 102(3), p. 5). It does this by defining the term "futures contract" broadly enough to cover all futures.

Creates an independent regulatory agency to regulate futures (Sections 103–107, pp. 7–13). These provisions are modeled after those establishing existing regulatory agencies, such as the Securities and Exchange Commission and the Federal Trade Commission. A truly independent agency is essential for a variety of reasons.

First and foremost, a futures contract is not only a transaction in agricultural products. When commodity exchanges were opened in the United States in the 1700s, they did indeed serve as a marketplace for the actual exchange of goods. Gradually, that function has all but vanished. Delivery of goods now takes place less than three percent of the time. In reality, futures contracts are a bet, a bet on what the price will be in the future. They certainly are not identical to a security or an insurance policy, but they are more like them than a transaction for the purchase or sale of agricultural products. Because a futures contract is so unique, it is important that the market be regulated by an independent body. Secondly, about 30 percent of futures contracts cover products such as plywood, silver, copper, diamonds and foreign currency, all totally unrelated to agriculture—and not appropriate for Department of Agriculture regulation. Thirdly, the volume of futures trading is so large—close to $500 million that it requires a separate organization. Finally, the impact of futures trading is so great—affecting farmers, middlemen and consumers—that it deserves the attention of a fulltime, *independent commission* with the stature of the Securities and Exchange Commission.

Requires the Commission to maintain liaison with all government agencies, including the Department of Agriculture, which may have information regarding futures trading (Sec. 210). So, to the extent the Department of Agriculture has information bearing on futures trading, such as crop reports, the Commission will have access to it. Any government agency with information affecting the orderly trading of futures contracts will report it to the Commission.

Requires the Commission to conduct surveys of market conditions and cooperate with other Federal agencies in market investigations to avoid duplicating work (Sec. 211). The purpose of this section is to require the collection of data which affects futures markets which the Department of Agriculture does not presently collect.

Requires registration of exchanges, clearinghouses and all persons trading in futures (Section 201, 204 and 205). This is similar to current law, except that more persons are required to register and the qualifications vary.

Gives the Commission power to act ex parte in emergency situation (Sec. 305, p. 28). An emergency is carefully defined as war, natural disaster, severe financial crisis or an event threatening orderly trading of futures.

Permits the Commission to seek injunctions through its own attorneys (Sec. 502, p. 38). This power is essential to the effectiveness of the Commission. It allows the Commission to obtain a court order to stop activities which violate the Act or regulations issued thereunder before the damage is done.

Requires exporters and importers to report to the Commission information relating to the initiation, completion or termination of negotiations for exports or imports (Sec. 209, p. 22). The purpose of this section is to keep the Commission informed of the size of exports or imports so that if the amount is so substantial that it may cause a chaotic market, the Commission may take action in the public interest. This provision is aimed at preventing the feverish trading—and distorted prices—which followed announcement of the Soviet grain sale.

Requires the clearinghouse or the exchange to make a daily record showing the time of each trade, the contract, the price, the delivery months, and the name of the trader (Sec. 207, p. 21).

While some exchanges make part of this information available, none of them identify the trader because the broker is not required to give the name of the trader to the exchange. This bill requires him to do so. Certainly a case can be made that the name of the trader should not be made public, or else other traders might take unfair advantage of such information. And this bill does not require that this information be public. Rather it permits the Commission to examine the information. This would allow the Commission to learn who had made what transactions during a given day and might well alert it to a potential manipulation of the market.

—forbids foreign traders from trading on American futures markets unless they post a surety bond which will be forfeited if they refuse to submit to the jurisdiction of the courts, the Commission or an exchange (Sec. 303(b), p. 27). Recently, increasing numbers of foreign individuals and companies have begun to trade on U.S. futures markets. Indeed, there has been speculation that the Russians trading on futures markets contributed to the rise in wheat prices after the Soviet wheat deal. If those companies do not do business in the United States, there is no way to obtain jurisdiction over them should they violate a law of the United States. This provision would insure that they submit to the jurisdiction of U.S. authorities or forfeit a sum of money.

—requires that a broker only take orders from persons he has reasonable grounds to believe are financially suited to deal in futures contracts and who sign a statement indicating that they understand the high probability of loss (Sec. 303(a), p. 26). Similarly, it requires advertisements and promotional literature to state that the trading of futures contracts is highly speculative. Studies indicate that futures trading is highly hazardous, and these provisions would discourage anyone from dealing in futures contracts unless they are financially able to do so. This protects both the potential trader and the marketplace.

—requires that all persons who deal with the public—brokers, salesmen investment advisers and contract analysts—take examinations to demonstrate an understanding of the futures market (Sec. 201(c), p. 14). This should protect the public and the market from uninformed traders.

Prohibits any person from engaging in unfair and deceptive practices (Sec. 308, p. 29). This provision was made broad so that the Commission, either by rule or in court, would have the power to prohibit unfair and deceptive schemes as they are devised.

Prevents the fixing of Commission rates (Sec. 307, p. 29). In the past, members of exchanges have price-fixed the amount of commission rates. This practice is being challenged in a suit by the Department of Justice. This provision makes price-fixing of all commissions illegal, which would seem in accordance with the antitrust laws.

Permits the Commission to make exceptions for so-called world contracts—products which are produced primarily outside the United States and traded on foreign and U.S. exchanges (Sec. 213, p. 25). Exchanges trading such products contend they need certain exceptions. If this is true, the Commission may make such exceptions.

Requires that the Commission approve the subject matter and the terms of all new contracts before they may be traded (Sec. 302, p. 25). This provision requires the Commission to determine whether or not the goods, service, or intangible is economically justifiable as the subject of a futures contract and also lets the Commission change or modify terms of the contract, including the number of delivery points. There has been widespread criticism of the exchanges for designating too few delivery points—resulting in squeezes which have driven prices unjustifiably high.

With certain exceptions, it prohibits floor brokers, salesmen and others who handle customer accounts from trading for their own account (Sec. 308(b)(8)(9), p. 30). This would prevent manipulation of the market by floor brokers and others for their own benefit—and to the detriment of their customers and the public. Under the bill, such "dual" trading is illegal unless the Commission finds that a small exchange or a new futures contract needs brokers trading for their own account to provide adequate liquidity. A market is considered sufficiently liquid when the number and volume of trades and traders is adequate to enable brokers to fill orders without significant price fluctuations. Certainly, it is clear that the large contracts in wheat, corn, and soybeans have sufficient liquidity. New smaller contracts may have an insufficient number of traders. If this can be proved to the Commission, it should permit futures traders to trade for themselves and customers at the same time.

Authorizes private treble damage suits (Sec. 505, p. 40). Often the most effective enforcement tool is private suits where the plaintiff can recover three times his actual damages.

Requires a jail sentence of up to 10 days for commission of certain unfair or deceptive practices as defined by the Act and a dollar fine up to $500,000 (Sec. 503, p. 40). Because of the huge volume involved in some trades, and the potential damage to others by violation of the Act, a large fine is justified. The amount of any individual fine is in the discretion of the judge based on the seriousness of the offense. The bill also enables the Com-

mission to assess civil penalties and suspend individuals from trading if they violate the Act or regulations issued under it.

Requires the Commission to charge an annual registration fee to each exchange equivalent to 75% to 85% of the operating costs of the Commission (Section 601). The exchange may pass the cost on to traders. Based on 1970 trading, $10 million which may be enough to finance the new Commission, could be raised by charging each buyer and seller 20 cents per contract traded.

Requires the Commission to make a study of the feasibility of computerized trading and report its findings to the Congress. The potential for trading abuses on the floor of an exchange are innumerable—even if dual trading were banned. Floor traders trading for their own account can enter into schemes with floor brokers, handling customers accounts, to the benefit of the trader. The market would continue to function as it does now—often on the basis of rumors. The current CEA has already recommended to the House Appropriations Committee and the Subcommittee on Special Small Business Problems that a study be made of the feasibility of such trading.

ASK NEW COMMODITY AGENCY

(By Clark Mollenhoff and George Anthan)

WASHINGTON, D.C.—The nation's $400-billion-a-year commodities futures industry continues to operate under lax federal regulation, with little protection for investors, consumers and farmers, the General Accounting Office (GAO) will report to Congress Monday.

A GAO report to be released Monday says that the failure by the Department of Agriculture's (USDA) to disclose and discourage abusive trade practices at commodities exchanges—as outlined by a GAO report nine years ago—continues today.

The GAO, the congressional investigating agency, recommends strongly that Congress remove authority for regulating the markets from the USDA and create a fully independent commission.

COMMISSION AUTHORITY

"To remove any appearance of conflict of interest and to instill the fullest public confidence," the report states, "the Congress should establish an independent agency, separate from the (Agriculture) Department, to regulate all futures trading."

Such a commission, the report continues, should have authority to:

Prohibit commodity traders and brokers from dealing for themselves at the same time they are trading for their customers.

Seek court injunctions to stop price manipulations and other abusive practices.

Require commodity exchanges to designate additional delivery points to help prevent market "corners" and "squeezes."

The investigation was requested last spring by Senator Dick Clark (Dem., Ia.) after a series of articles on federal regulation of the markets by The Register.

Clark asked the GAO specifically to determine if the Commodity Exchange Authority (CEA), the USDA agency that is charged with regulating the markets, had followed recommendations set down in 1955 after an earlier investigation.

The report outlines many steps strongly opposed a year ago by CEA Administrator Alex Caldwell. However, Caldwell has accepted some proposals for strengthening federal regulation after an independent congressional probe by Representative Neal Smith (Dem., Ia.) and his subcommittee on small business problems.

LESS REGULATIONS

The report says the CEA has done little to improve its regulatory activities and that, in some key areas, surveillance of the futures markets actually has deteriorated.

In many areas, the report pointed to the same weaknesses in the CEA's regulatory activities as outlined by The Register last year.

"In a report to the Congress in 1955, we pointed out that CEA's trade practice investigations were inadequate to disclose or discourage abusive trade practices on the exchange floors and that these investigations were not conducted on a planned basis to insure periodic review of each future market," the report says.

The report notes that a 1971 investigation by the USDA's inspector general, "reported essentially the same deficiencies" and says that "on the basis of our review of all trade practice investigations initiated by CEA in fiscal year 1973, we believe the deficiencies continue."

The GAO studied 16 trade practice investigations conducted by the CEA, but noted repeatedly "due to higher priority work."

INVESTIGATIONS DELAYED

In the CEA's eastern region, which covers commondity exchanges in New York City, trade practice investigations were delayed so many times that "no exchange trade registers had been examined so far during the fiscal year."

The report says the CEA has not reviewed the speculative limits on cotton futures since 1947, even though volume of trading in cotton futures had increased more than ten fold in the last decade alone.

The report also notes that, despite a recommendation from a CEA advisory team that speculative limits be set up for trading in frozen organge juice to help prevent price manipulations, Caldwell took no action except to order further study.

The report also says the CEA has relied largely on the major commodity exchanges to police themselves and that a CEA official had informed the GAO that "the Chicago Board of Trade's field audit efforts were meager," that audit efforts seldom went beyond a "desk review of financial statements received from member firms and information received from other exchanges and other outside sources."

The report continues, "We believe CEA should act more forcefully to insure that the Chicago Board of Trade and the Chicago Mercantile Exchange programs are improved to an acceptable level.

"We believe CEA's lack of aggressiveness is clearly demonstrated" by the fact that, five years after Congress mandated that standards be set up for surveillance and investigations, "the exchanges still do not have acceptable self-enforcement, programs."

The House has passed a bill to tighten federal commodity regulation by creating a semi-independent commission within the Agriculture Department. However, a battle is expected in the Senate where several bills call for a fully independent agency.

The report says futures trading should be regulated by a "strong and prestigious agency" and that a potential conflict of interest would exist if the secretary of Agriculture were to be placed on the new regulatory body, as the House bill provides.

This is because, the report states, the Agriculture secretary, through his official actions, can affect the prices of farm and other commodities.

GET-RICH-QUICK OIL MAN

Mr. BARTLETT. Mr. President, I have an editorial written by Mr. Jenkin Lloyd Jones, editor and publisher of the Tulsa Tribune, and a well-known syndicated columnist, which tells the story of the get-rich-quick oil man.

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

ME AND THE OIL RIP-OFF

(By Jenkin Lloyd Jones)

Last fall I got into the oil business. It seemed like a good idea, what with the energy crunch and the price going up and Senator Jackson and Ralph Nader and practically all college professors hollering about what a big rip-off the business was.

So when my financial wizard at the bank called up and said he could get me in on one-sixteenth of a gas prospect down in Ouachita Parish, La. I caught fire.

The prospectus, all wrapped up in a neat red imitation leather cover, contained a diagrammatic stratigraphic cross section A–A with a lot of seismic squiggles which I studied carefully.

There was a map pointing out how the proposed location was on top of the Sligo sand, the Davis sand, and the Pettet Porosity. That was good, it says here.

What I understood best were two pages of enthusiasm by some geologist in Shreveport who thought we might hit on all three sands. So I told my friend at the bank to put me in the pot.

It was a long tooth-pulling. It rained and the rig bogged down and the drill pipe was late. But finally the bit began churning and it went down and down through Mississippi meander muds and the ancient sea beaches and our anticipation steamed as we approached the Sligo. It was more sterile than a frozen virgin.

So we went on bravely down and down to the Davis and—eureka! gas at last. You could have even lit a cigar with it.

On we pressed to the Pettet Porosity, which proved as porous as Hoover Dam. That night one of my fellow crapshooters called me on another matter. "To bad about the well," he added, parenthetically.

But our promoters were undaunted. They ordered expensive tests. They set casing. They perforated. And finally they opined that the well might yet be saved by hydraulic fracturing, a Tiffany-priced device for breaking tight formations under fantastic pressure.

One of our partners announced he would throw away no more money. But the rest of us said, "In for a penny, in for a pound," and picked up his tab.

So the hydraulic fracturing worked and we got a modest gas well. The faint-hearted defector wanted back in, and we let him—at a price.

Drunken with this success, I got involved in Stubblefield 1, an oil prospect down in Victoria County, Texas. A brilliant Houston geologist had figured that one out and I read with mounting excitement several pages of his prospectus—all written in Swahili.

What I gathered was that the big boys who had picked over the field earlier had stupidly overlooked a fold in the fault.

The best thing about Stubblefield 1 was that it didn't keep its backers in suspense. It was just nine days from spudding in to plugging. My fifteen thousand bucks—zap! The fault had folded, or the fold had faulted.

Now my wizard up at the bank has told me what I already know, and that is that a tyro who hits one out of two is batting above Hank Aaron and is a child of the gods. He figures that if that Louisiana gasser keeps going flat out at half a million cubic feet a day I'll get my $17,000 back in about two years, and then it can start eating on the disaster of Stubblefield 1.

Maybe four years from now I'll begin to show a profit, which is nice because my Uncle Samuel will take dollar-for-dollar and that will help pay the salaries of Senator Jackson and all those Wisconsin congressmen who are letting everyone in on what a license to steal the oil business is, and also those New Hampshire solons who like to use gasoline but don't want any refineries.

By the time the well gets me in the black,

assuming it doesn't poop out earlier, the depletion allowance will have been killed by Congress and oil fields will be taxed just like wheat fields, which, of course, can produce forever.

In the meantime, too, some friend of the common man might roll back the price.

With the oil business being such a big steal and all it's amazing how many Americans have overlooked it.

It's an open-ended rip-off. The woods are full of guys with leases in their hats. The fabulous profits are available to Nader's Raiders, Senator Jackson, the S.D.S., and all those left-wing professors who want the industry nationalized.

It's also the simplest business in the world. All you have to do is position yourself over some oil or gas and drill down.

DEEP SEABED MINING: ANOTHER CONSORTIUM ANNOUNCED

Mr. METCALF. Mr. President, when I announced a continuation of hearings on deep seabed mining legislation in March, I included in my statement a press release from the Kennecott Copper Corp.

My statement and the press release appear at pages 1578–1579 of the CONGRESSIONAL RECORD of January 31, 1974.

The press release announced that Kennecott and four other major corporations—one Japanese, two British and one Canadian—had joined in a 5-year multimillion-dollar research and development program to determine the feasibility of mining manganese nodules from the deep seabed and extracting minerals from them.

I used the announcement of the formation of this consortium to emphasize the need for action on legislation to promote the conservation and orderly development of the hard mineral resources of the deep seabed, pending adoption of an international regime relating thereto.

This week another major U.S. company interested in discovery and recovery of needed minerals on the bottom of the ocean announced that it had joined with three Japanese firms in "plans to begin the development and evaluation of a Pacific Ocean site for the recovery of marketable metals from the ocean floor."

The announcement came from Deepsea Ventures of Gloucester Point, Va. Deepsea, a subsidiary of Tenneco Inc., a multi-industry firm headquartered in Houston, Tex., is joining in a consortium with Nichimen Co. Ltd., C. Itoh & Co. Ltd., and Kanematsu-Gosho Ltd., all of Tokyo. The announcement says there will be "an additional participant, to be selected in the near future."

As I have said before, industry is reaching out to the bottom of the world's oceans for the minerals we must have. Whether political institutions can keep pace with technology may be determined at the United Nations Law of the Sea Conference June 20 to August 29 in Caracas, Venezuela.

Mr. President, I ask unanimous consent that the Deepsea Ventures press release of May 6 and two articles from the May 7 issue of the Newport News, Va., Daily Press be printed in the RECORD.

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

DEEPSEA

The following is for simultaneous release in Houston, Texas, and Tokyo, Japan.

For information contact: George Jackson, [redacted]

HOUSTON, MAY 6, 1974—3 P.M.

A major U.S. natural resource company and a group of leading Japanese trading firms today announced plans to begin the development and evaluation of a Pacific Ocean site for the recovery of marketable metals from the ocean floor.

The companies are Tenneco Inc., a multi-industry firm headquartered in Houston, Texas; Nichimen Co., Ltd.; C. Itoh & Co. Ltd.; and Kanematsu-Gosho Ltd., all of Tokyo.

The group has signed an agreement leading to a joint venture which will utilize Tenneco's ocean mining subsidiary, Deepsea Ventures, Inc., of Gloucester Point, Virginia, for the assessment of a selected Pacific Ocean orebody, the testing of mining and processing systems and the market testing of the products recovered. The development and evaluation will involve up to three years and $20 million.

The objective is to produce copper, nickel, cobalt, and manganese from a manganese nodule site discovered during a decade of exploring the seabottom in mid-ocean depths exceeding 2½ miles. Deepsea Ventures has been developing marine science and technology related to the commercial use of the marine ores for approximately 12 years.

Commercialization of the program by Tenneco, the Japanese group and an additional participant, to be selected in the near future, will be achieved through equal equity positions in Deepsea Ventures, which will become the marine mining and processing company while the national groups will have the opportunity to use proportionate shares of the metal products in their respective domestic economies or in worldwide trade.

A spokesman for the group said, "the companies involved are acutely aware of the need in the industrialized world for security of supply of these marine-derived metals in a period when traditional raw material supplies are decreasing and the countries which supply them are looking increasingly to mineral exports as a source of political and economic leverage."

"The total project, from the development and evaluation stage through the commercialization stage, has a potential of approximately $200 million of expenditures," the spokesman said.

"The U.S. and Japanese companies have entered this joint program in order to achieve the benefits of diverse capabilities, pooled investments, shared risk, and broadened government support," he said.

"The agreement recognizes the added benefit to be brought to the joint program by additional sources of international talent and funds and seeks to create a broadly based private effort to partially satisfy the current needs of industrial economies of the U.S., Japan and Europe, as well as those of the resource-poor developing countries of the world."

TENNECO, JAPANESE FIRMS JOIN IN OCEAN METALS VENTURE

(By Robert L. Marble)

GLOUCESTER POINT.—Tenneco, Inc., and three leading Japanese trading firms revealed plans Monday to join forces in development and evaluation of a Pacific Ocean site for the recovery of marketable metals from the ocean floor.

The new joint venture will utilize Tenneco's ocean mining subsidiary, Deepsea Ventures, Inc., located here, for the assessment of a selected Pacific ore body, testing of mining and processing systems and the market testing of the products to be recovered.

Signing of an agreement leading to the joint venture was announced simultaneously at Tenneco's headquarters in Houston, Tex., and in Tokyo.

Joining Tenneco in the agreement are Nichimen Co., Ltd.; C. Itoh & Co., Ltd., and Kanematsu-Gosho Ltd., all of Tokyo.

The development and evaluation will involve up to three years and expenditures of about $20 million

The announcement said the objective is to produce copper, nickel, cobalt and manganese from a nodule site discovered during a decade of exploring the sea bottom in mid-ocean depths greater than two and a half miles.

Deepsea President John E. Flipse has described the development and evaluation as the second phase of the bold new ocean mining venture. The first phase had its beginning about 12 years ago when the Newport News Shipbuilding and Dry Dock Co. began studies of ocean floor mineral potentials.

Ocean explorations plus design, engineering and process research and economic studies which followed resulted in establishment of Deepsea Ventures, Inc., in 1968 as a wholly-owned subsidiary of Tenneco, Inc., following that firm's acquisition of the shipyard.

Since establishment of Deepsea's headquarters at Gloucester Point in 1970 research was continued in all facets of the ocean mining program. Extensive tests of equipment designed to recover nodules from the ocean floor were conducted on the Blake Plateau in the Atlantic and the firm's Research Vessel Prospector has logged thousands of hours in the Pacific mapping potential mining sites and conducting other research.

A pilot processing plant has been in operation at Gloucester Point testing and perfecting chemical hydrometallurgical methods for separation of the various metals from the nodules.

In 1971 the firm announced successful extraction in its plant here of manganese, copper, nickel and cobalt from ocean nodules.

Commercialization of the program by Tenneco, the Japanese group and an additional participant yet to be named, will be achieved through equal equity positions in Deepsea Ventures, which will become the Marine Mining and Processing Co.

The national groups will have the opportunity to use proportionate shares of the metal products in their respective domestic economies or in world wide trade.

A spokesman for the group said the companies involved are acutely aware of the need in the industrialized world for security of supply of these marine-derived metals in a period when traditional raw material supplies are decreasing and the countries which supply them are looking increasingly to mineral exports as a source of political and economic leverage.

"The total project, from the development and evaluation stage through the commercialization stage, has a potential of approximately $200 million of expenditures," the spokesman said.

"The U.S. and Japanese companies have entered this joint program in order to achieve the benefits of diverse capabilities, pooled investments, shared risk and broadened government support," he said.

The announcement said the agreement recognizes the added benefit to be brought to the joint prorgam by additional sources of international talent and funds and seeks to create a broadly-based private effort to partially satisfy the current needs of industrial economies of the U.S., Japan and Europe, as well as those of the resource-poor developing countries of the world.

The three Japanese companies joining Tenneco in the Venture have combined annual revenues of about $18 billion and each, like Tenneco, is widely diversified.

The largest of the three, C. Itoh, was established in 1858 and has 95 offices throughout

the world, employs over 8,000 and has annual revenues of about $10.3 billion.

Kanematsu-Gosho dates back to 1889. The firm operates over 80 branches in many major cities and does about $3.9 billion business annually.

Nichimen, its origin dating to 1892, operates 100 offices in major international cities, employs 5,000 and has revenues of approximately $3.8 billion.

Among the commodities of the three Japanese firms are textiles, petroleum, nonferrous metals, ores, iron and steel, chemicals, plastics, lumber, pulp and paper grain and foodstuffs, machinery, farm products, electronics, nuclear energy, construction, real estate, insurance, transport, credit and finance.

Nodules from the ocean floor, once considered a mere oddity, are now being looked to as a source of some of the world's most needed metals. The nodules generally contain over one per cent copper and a similar amount of nickel.

Manganese which makes up over 25 per cent of the nodules is of particular importance to both the United States and Japan which import it in large quantities for steel making.

JOINT VENTURE TO INCREASE DEEPSEA'S STAFF, ACTIVITIES

(By Robert L. Marble)

GLOUCESTER POINT.—The announcement Monday of the agreement between Tenneco Inc. and three Japanese firms will mean increased staff and activities for Deepsea Ventures Inc. which has its headquarters here.

The joint venture will utilize the firm here for the assessment of a selected Pacific ocean orebody, the testing of mining and processing systems and the market testing of the recovered metals.

The $20 million development and evaluation phase will draw heavily on data gathered in past research conducted by Deepsea.

With future commercialization of the program and Deepsea becoming the marine mining and processing company, officials said management, research and marketing will likely continue to be centered here.

John E. Flipse, president of the Tenneco ocean mining subsidiary which established its headquarters here in 1970, said the new phase will probably about double the staff but many of those will be involved in work at sea.

Flipse said the phase will involve a detailed survey of the mining site in the Pacific and preparation of a mining plan.

The R. V. Prospector, used extensively in previous surveys and exploration of potential mining sites, but berthed for the past year at Gloucester Point, will be sailing for the Pacific again.

Deepsea will acquire another ship, considerably larger than the 320 foot R. V. Deepsea Miner, a converted cargo ship used in testing of mining equipment on the Blake Plateau in the Atlantic in 1970.

Flipse said the new ship, probably in the 500 to 600 foot class, will be used for testing of mining equipment and recovery of nodules from the Pacific Ocean floor at depths of more than two and half miles.

A pilot processing plant here which, in 1971, produced what is believed to be the world's first metals derived from the ocean floor, will be substantially expanded to accommodate extraction of larger quantities of manganese, nickel, copper and cobalt to further test systems already developed by Deepsea.

Flipse indicated the on-shore expansion here will occur within the confines of Deepsea's existing property.

Flipse said decisions on the third phase, the actual one-line commercial operation, will depend on results of the evaluation and development phase.

Development of the full scale mining equipment and on-shore processing facilities which would probably be in the Gulf Coast area—and getting the metals into the market are expected to take another three years.

Deepsea and Tenneco officials have previously estimated expenditures of about $200 million will be involved by the time the ocean floor metals reach the market.

VETERAN AND TECHNICAL EDUCATION

Mr. THURMOND. Mr. President, as the Senate prepares to take up the GI bill amendments of 1974, I believe it is worthwhile to call to the attention of my colleagues an article on veterans and comprehensive technical education. It appeared in the April, 1974, edition of "Impact," the official publication of the South Carolina State Board for Technical and Comprehensive Education.

The analysis was prepared by Mr. Jim Kiser, coordinator of student services programs for the State board. It shows the important relationship between the GI bill, the well-being of technical education, and increased opportunities for student veterans.

Mr. President, I am particularly impressed by the leadership positions which student-veterans occupy in the technical schools in South Carolina. It confirms my belief that our young veterans have a great contribution to offer the civilian sector of American society.

Mr. President, I ask unanimous consent that the article, "Impact on the Tec Veteran," be printed in the RECORD at the conclusion of my remarks.

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

IMPACT ON THE TEC VETERAN

(By Jim Kiser)

In 1973 almost a half million American men and women were separated from the armed forces. This is an average of over 9500 each week. Most of these people went into civilian occupations, many continued their education either full- or part-time, others are walking in the streets unemployed. Obviously, this is not a homogeneous group. They have multiple interests, persuasions, aspirations, and problems. But society in-general has given them a common label—the "Vietnam era veteran." They are given this label because they either spent time in Vietnam or served during the Vietnam war period.

Higher education, on the other hand, has attempted to put many tags on veterans attending the plethora of institutions that comprise American post-secondary education. This is done by comparing him (the female veteran falls in this category to lesser degree) to his non-veteran counterpart. Accordingly, the college-going veteran is characterized as being far more interested in occupational applications of education than his non-veteran associates, less involved in campus life, occupies a marginal role in shaping student activities, and is more resistant to change.

Moreover, he is reputed to be less flexible in his personality and less able to cope scholastically with the rigor of academic courses. Generally, he feels estranged from other students. To non-veteran students he has returned, not as victor of a military campaign won in the name of freedom, but as the victim of an unpopular war that had no victory. The veteran sometimes is made to feel that he is forced to join many of the very articulate, boisterous students who denounced the war through open demonstrations and "civil disobedience."

Until recently there has been little activity on most campuses to attract the Vietnam veteran. In fact, many colleges have assumed a passive and, sometimes, resistant posture regarding enrolling veterans.

THE TEC VETERAN

But what about the veteran enrolled in South Carolina's technical education system? Does this general description fit him? Is his image consistent with that of other colleges throughout the country? Not so according to the evidence. Community-centered institutions in general, and TEC in particular, have reached out enthusiastically to serve veterans—and TEC veterans certainly are not a minority group having a marginal impact. During the fall of 1973 TEC's veteran constituency accounted for almost 50 percent of the total enrollment. But what really is the impact of the TEC vet? Percentages alone are not predictors of campus influence and involvement. The evidence reveals that veterans are very much a part of TEC life. For example this year at 11 institutions in the TEC system at least one student government officer is a veteran and at six of these, two or more officers are veterans. Also, at six institutions a veteran is president of the student government.

The record indicates that veterans are as active in campus organizations as their non-veteran associates. Of course at TEC there is little disparity between veteran and non-veteran students in age, marital status, interests, and aspirations. These factors are major contributors in absorbing veterans into the college life at TEC. This is not to say that TEC veterans are not concerned about the cool reception they sometimes receive from a small, though vocal, radical minority. Moreover, the TEC veteran, like his counterpart over the country, feels that partly because of the unpopularity of the Vietnam war, he has been shortchanged on benefits as compared to veterans of previous generations. He becomes incensed when the processing of forms becomes snarled causing delays in receiving his entitlement checks. But TEC veterans definitely are not a minority, they are not estranged from their non-veteran counterparts, and they are not inhibited about assuming active participation in campus life.

SAMPLE SCOREBOARD OF 2,551 VETERANS ATTENDING FIVE TEC CENTERS

Average age, 29 years.

	Percent
Male	98
Female	2
White	64
Nonwhite	36
Full-time students	58
Part-time students	42
Married	70
1st year students	60
2d year students	40
Previous postsecondary education	14

Data provided by TEC's Management Information System.

CAMPUS ACTIVITIES

Specific instances of campus involvement by veterans and veterans groups are too numerous to mention here. Several centers have strong veterans clubs which assume a leadership position as service agencies for the entire institution. In one center the veterans organization has gained such high respect from other students that the student government president, a non-veteran, urges veteran students to become active in their club. One veterans club, as a community project, gives baskets of food to needy families at Christmas. A most encouraging observation is the

participation of large numbers of veterans in club work. At one center it is not unusual to see between 80 and 100 veterans in attendance at regular meetings.

OUTREACH AND RECRUITMENT AT TEC

Meeting the needs of veterans and military people has been a special mission of the TEC system from its inception. This effort received a shot in the arm in October, 1972, when Congress passed the most recent GI Bill. This bill included a significant amendment authored by Senator Alan Cranston of California. The Cranston amendment, called the Veterans Cost of Instruction Program (VCIP), allowed for entitlements paid directly to colleges to be used for services to veterans and to help defray instructional costs. The major condition that an institution had to meet, however, to qualify for this entitlement was to realize a ten percent increase in veteran enrollment over the preceding year. This was a boon to the TEC system and its already vigorous effort to serve veterans. All nineteen institutions in the system were eligible for funding and received combined entitlements in excess of $325,000. Of the funds alloted to all post-secondary institutions in South Carolina, TEC received over 70 percent of the total due to the high veteran enrollment within the system.

One of the chief conditions placed on the expenditure of VCIP funds was that a minimum of 50 percent of an institution's entitlement had to be used for direct services to veterans. Emphasis had to be placed on services like outreach and special on-campus programs such as career counseling, remediation, and employment placement. The remaining 50 percent could be used for instructional services. Interestingly, so strong has been the commitment to serve veterans that many centers have been using 100 percent of their entitlements for this purpose. They have used the funds to hire additional staff personnel for outreach programs and to prepare brochures addressed specifically to veterans. Further, to supplement this program strong campaigns have been put into operation to reach returning veterans by advertising through the mass media, using TEC's two Mobile Information Centers, and making personal contacts. Of course, the chief objective of this program is to help each veteran establish a meaningful career and educational objective and to assist him toward its fulfillment. Through this effort the multiple-purpose institutions that comprise the TEC system stand ready to serve veterans by enrolling them in programs that are compatible with their ambitions and persuasions.

Outreach activities have resulted, also, in bringing many veterans to TEC campuses who already have well-defined career goals. Many of these students attended college prior to and during the period they were in service. Some have college degrees and elect to pursue a curriculum at TEC because of the need for greater specificity in their preparation than previous education afforded. Still other veterans are embarking on new career fields either because their interests have changed or because employment opportunities in a former occupational area are now limited or nonexistent.

COMPONENTS OF OUTREACH PROGRAM FOR VETERANS

(Presented by Lee Betts, Assistant Director for Project for Servicemen and Veterans, AACJC)

1. Outreach board representing veterans, faculty, and agencies.
2. Full-time outreach coordinator
3. Program for staff training and development
4. Implement program by:
a. Identifying population
b. Personalizing contacts
c. Developing demonstrations for use at military bases and occupational fairs
5. On-campus counseling and referral services
6. Coordinate program with other nearby colleges and agencies (Consortium)

THE "SERVICEMEN'S OPPORTUNITY COLLEGE"

This report thus far has focused on TEC services that are largely concerned with counseling, admissions, career decision-making, and employment placement. These functions for the most part are the responsibility of a single division in each TEC center called Student Services. Serving the veteran, however, requires a total effort from the college including instructional services, learning resources, business services, and the administration as well as student services. Here again, TEC has risen to the challenge in a dynamic way by permitting veterans to move into educational programs allowing as much credit as possible to previous experience and preparation. Naturally this practice is consistent with an attitude which prevails throughout the TEC family in meeting its responsibility to all students and is not confined to veterans alone.

Though all centers staunchly support this concept, six of them have achieved special recognition from the American Association of Community and Junior Colleges (AACJC) by being designated as a "Servicemen's Opportunity College" (SOC). To achieve this distinction these institutions agreed to meet numerous objectives relating to admissions, transfer of credits, and residency requirements. As of this date 250 colleges in the nation (175 two-year and 75 four-year) have been designated by AACJC as SOC colleges. Of this number only eight are in South Carolina and, as was indicated, six of those are in the TEC system.

SEVERAL CRITERIA FOR SERVICEMEN'S OPPORTUNITY COLLEGES

(From guidelines of American Association of Community and Junior Colleges)

1. Offers maximum credit for previous educational experiences.
Examples:
a. U.S. Armed Force Institute courses
b. College Level Examination Program
c. Appropriate service-connected courses
d. Military experience
2. Residency requirements serve needs of itinerant students.
Examples:
a. Requirements may be filled in any sequence
b. Contract for Degree concept: Working with his advisor a person may complete requirements for a program taking approved courses wherever he may be located.
3. Liberal entrance requirements
4. Transfers traditional and nontraditional learning obtained at other institutions.
5. Special academic assistance to students:
Examples:
a. Tutorial services
b. Counseling services
c. PREP and developmental programs

LEGISLATION

Congress passed the last bill involving educational benefits for veterans in October, 1972. This bill provided a raise in monthly allowance to $220 for single veterans who are full-time students with proportionate increases for veterans with dependents. Other features of this legislation included creation of a VA "work-study" component, changes in the PREP and tutorial programs, and development of the Veterans Cost of Instruction Program.

CURRENT EFFORTS

A bill, written and approved on February 5, 1974 by the House Subcommittee on Veterans Education, provides for several changes in the present law including (a) a 13.6 percent increase in the monthly allowance, (b) annual cost of living adjustments in various GI Bill rates, (c) permitting veterans with 10 percent or more disability to be entitled to VA vocational rehabilitation (present law requires 30%), (d) extension to 10 years the time limitation to complete a program, and (e) use of credit hours to measure full-time status for veterans pursuing non-degree programs. The Senate Subcommittee on Veterans Education has approved a measure which is similar to the House bill. The major difference between the two bills is that the Senate version calls for a minimum monthly allowance of $270 for a single veteran.

A LOOK IN THE CRYSTAL BALL

What does the future hold for TEC's interest in veterans? There are predictions that veteran enrollment will decline sharply as soon as the present influx of Vietnam veterans subsides. Another prediction that is equally as plausible could result in the continuation of a significantly large number of veterans enrolling in South Carolina's TEC centers. Over 8500 South Carolinians were separated from military service last year. Of this number 50 percent enrolled in GI educational programs. Many who did not are undecided about career objectives and TEC stands ready and prepared to serve them at any time. Several agencies such as the Employment Security Commission, American Legion, and Department of Defense provide lists on request of South Carolina men and women leaving military services. These lists serve as aids in identifying individuals who may benefit from opportunities offered at TEC. Many who do not enroll immediately will elect to do so later. Consequently, it is entirely possible that the impact of veterans will continue to be felt at TEC for several years to come.

TEC INSTITUTIONS DESIGNATED BY AACJC AS SOC COLLEGES (AS OF JANUARY 1, 1974)

Berkeley-Charleston-Dorchester TEC
Greenville TEC
Midlands TEC
Palmer College-Charleston
Palmer College-Columbia
Tri-County TEC

Jim Kiser has been with TEC since July 1, 1973 as Coordinator of Student Services Programs. Prior to that he was Vice President for Student Services at Central Piedmont Community College in Charlotte, a position he held since the college was established in 1963. His education includes degrees from Lenoir Rhyne College and the University of North Carolina at Chapel Hill. He is currently an Ed. D. candidate at the University of California at Berkeley.

LAST CHANCE FOR THE HAVASUPAIS

Mr. KENNEDY. Mr. President, an issue of fundamental importance to an ancient American Indian people—the Havasupai Indians of northern Arizona—is moving toward final resolution in this Congress after a century of delay. I wish to add my voice in behalf of justice for the Havasupai.

I first became aware of the Havasupai struggle for survival in 1971 after receiving a letter from Lee Marshall, chairman of the Havasupai Tribal Council. Chairman Marshall's letter was incorporated in the record of the hearings held by my Subcommittee on Administrative Practice and Procedure on Federal protection of Indian natural resources. Briefly stated, the issue involves the security of the Havasupai land base and thus the future of the Havasupai tribe.

Historically, from about 700 A.D., the tribe—known as "the people of the Grand Canyon"—roamed over more than 2 million acres in the vicinity of the Grand Canyon. In the early 1880's the

United States, as an emergency measure, acted to protect Havasupai Canyon lands from the encroachment of miners, leaving unsettled the question of a final determination of Havasupai rights to the rest of their traditional homeland. For over 90 years the tribe has continued to use and occupy a minimum of 251,000 acres for a variety of traditional purposes—including residence, agriculture, grazing, burial grounds, and religious shrines—and the tribe and concerned Federal officials have repeatedly recommended that the tiny 518-acre Havasupai reservation be enlarged to provide for their urgent social needs.

In 1942, a Department of Interior Secretarial Order held that Havasupai "Indian title" to this use area had never been extinguished, and that the tribe retained exclusive rights of use and occupancy to this area. In 1919 the Grand Canyon National Park was established, and since the mid-1920's, contrary to the intent of Congress, the tribe has increasingly been excluded from the use area by the unreasonable and arbitrary administration of governmental permits, and its access to the plateau lands above Havasu Canyon has been largely confined to the single purpose of grazing a modest number of horses and cattle.

The 251,000-acre use area, encompassing parts of the Grand Canyon National Park and the Kaibab National Forest, constitutes the present Havasupai land base. Without it the tribe cannot possibly continue to exist. As Alvin M. Josephy, Jr., senior editor of American Heritage and a distinguished authority on American Indian history, has said:

> Today, down in the Canyon, the Havasupai people face extinction from disease, poverty, and the eventual collapse of their society, their culture and their religion.

The question of the Havasupai future is before Congress today because of S. 1296, a popular and generally noncontroversial bill to roughly double the size of the Grand Canyon National Park, which passed the Senate several months ago and is now pending before the House Interior Committee. Certain provisions of S. 1296, both as passed by the Senate and as reported by the House National Park Subcommittee, threaten to bury the problem in yet another study or to remove substantial portions of the Havasupai use area and simply to continue, on the portions remaining, the unsatisfactory and debilitating permit system which is largely responsible for the extreme privation in which the tribe now lives. It is clear to me that, unfortunately, this aspect of S. 1296 received inadequate attention when it was before this body.

Mr. President, the obvious alternative to erosion of the Havasupai land base is to take the course advocated by the tribe and recommended in repeated studies dating back to the last century: Confirmation of the entire 251,000-acre use area in trust for the Havasupai tribe. I strongly associate myself with this position, and urge that it be adopted by the House and ratified when a House and Senate conference committee meets to resolve differences on S. 1296.

Such a solution would be far from radical—essentially the same course was recommended by the Interior Department as recently as 1972, and just last Friday, while in Phoenix, accompanied by both of my distinguished colleagues from Arizona, the President called for "up to" 251,000 acres in trust for the tribe. The day before, Congressman MORRIS K. UDALL, chairman of the House Environment Subcommittee, endorsed the concept of a trust title transfer of a substantial portion of the Havasupai use area. In my judgment there is no valid reason for not confirming Havasupai trust title to the entire use area.

There will in all likelihood be occasions when the aspirations of an Indian people with respect to traditionally used land will come in conflict with the need to maintain environmental quality. This, however, is not such a case. The Havasupai have absolutely no desire or intention to use their land base for any purpose other than those which they have pursued for nearly 1,300 years. They are not going to build a dam, or put up a factory, or launch a tourist extravaganza, or undertake any other environmentally unsound project. Rather, they are intent upon preserving and protecting the natural, undeveloped, and unspoiled beauty of their homeland, and are perfectly prepared to accept language to provide comprehensive land use planning for the new trust area or any other reasonable requirements Congress might impose to assure environmental protection and consistency of use with the adjacent and enlarged Grand Canyon National Park. Justice for the Havasupai is in no way inconsistent with enhanced environmental protection for the entire Grand Canyon area.

Mr. President, the 251,000-acre use area upon which the Havasupai depend for survival is the core of their immemorial homeland. It should be confirmed to them now in trust title, and their fears for the future laid to rest.

ECONOMIC CHOICES

Mr. PACKWOOD. Mr. President, recently, the president of Linfield College in McMinnville, Oreg., presented a paper at the Senior Executive Conference in New York. His thesis was a topic very much in the news these days: the economic choices forced upon this Nation by the energy crisis.

In his discussion, Dr. Gordon Bjork points out that a fundamental principle of economics is rapidly coming into play in response to the price inflation brought on by the energy policies of the Arab nations. He points out that—

> In our century, the rising price of oil is going to stimulate the coal industry and lead to technology to extract oil from shale. It will also lead to increased research and development in nuclear and solar energy systems. At the beginning of the industrial revolution, it was necessary to make large investments to create new sources of energy and harness them to productive activity. We will have to make the same investments. This is one of the important implications of the energy shortage. . . . The demand for capital is going to increase.

Later in his paper, Gordon proceeds to discuss some of the factors contributing to the high rate of inflation with which we must come to grips. Paramount among the culprits, he casts an appropriately stern warning in the direction of the Federal Government. As he points out, it is conventional wisdom to point a finger of blame to Federal fiscal and monetary policies. What Gordon does, however, is look in addition to the inflationary bias of many Government programs and of Government itself. In his words—

> Large corporations are a frequent target of popular ideology. They are the villains who supposedly conspire to raise prices and profits. Likewise, large industrial unions . . . are thought to use their strong bargaining positions to raise their incomes at the expense of the economy as a whole. These explanations may capture the popular imagination, but they don't square with the facts. The really inflationary sectors of the economy in recent years have been those dominated by the monopoly par excellence—the federal government.

All in all, this is an excellent paper addressed to the economic problems we face. I strongly urge each of my colleagues to study what Gordon has so capably put into words. Each of us stands to profit immensely by an understanding of the problems we face, and the extent to which those problems find their roots in actions taken at the Federal level in years past, present, and future.

I ask unanimous consent that Dr. Bjork's paper be printed in its entirety in the RECORD.

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

ECONOMY DISTORTED BY ENERGY CRISIS AND FEDERAL OVERSPENDING

(By Gordon C. Bjork)

What is happening to the economy? Some very fundamental changes—changes which transcend Arab oil diplomacy, Russian wheat sales, Penn-Central bankruptcies, or Wall Street bear markets. I want to share with you some comments on changes of two sorts: first, changes which are due to the limitations placed on the economy by ecology and, second, changes due to what might be called the "maturation" of the economy. The changes due to ecological constraints are much more fundamental. They pose physical and technological problems capable of solution—but with real costs.

Did you ever reflect on the etymological origins of the term "economics" or "economy"? Or note the relationship to the recently popularized term, "ecology"? Both come from the same Greek root—oikos—the word for house. "Economics" refers to the science of managing the affairs of the "household of man" and "ecology" refers to the science which explores the relationships and interactions of the inhabitants of our terrestrial household with "spaceship earth" which is our "house."

Now your reaction at this point may be, "Oh, no! Another environmentalist zealot from Oregon who is going to lecture us on recycling returnable beverage cans and cleaning up the rivers so the salmon can be caught by eagles and vacationing mortgage bankers." But please relax. You aren't going to get a lecture on ecology. Or perhaps you should relax because you are going to get a lecture in fundamental economics—which we all know is a dismal science.

Let me put my first thesis simply and

baldly—economic growth, as we have known it in the Western world since the beginning of the Industrial Revolution, is going to decline. I am not talking about temporary cessation of the sort which may be precipitated this year by the Arabs, or by the federal energy czar (although either of them could cause troubles). I am concerned with fundamental changes in the technology which has contributed to a compound rate of increase in per capita output of goods and services in our economy over the last 150 years.

TECHNOLOGY HELPED

Consider briefly, the nature of the technology which has made our economic growth possible. In agriculture, it has been the development of sophisticated equipment which has increased a hundredfold, even a thousandfold, the amount of land which one man can cultivate, and it has been the use of artificial fertilizers to allow the replacement of nutrients which would otherwise have been exhausted by intensive cropping.

American housing, and the conveniences of the American home, have benefited enormously from technological change during the past century. We sometimes romanticize the log cabin or sod house of the American frontier, but we don't seriously compare the dank, dark 200 square feet of the frontier residence with the warm, light 1200 square feet of the modern American home. Nor do we reflect on the enormous amounts of energy which went into the manufacture of the steel and concrete of American cities or the amount of power which is necessary to heat and cool the spaces of our artificial habitats.

The automobile and the jet plane are a vast improvement on the horse and wagon, but they consume considerable amounts of fossil fuel in their locomotion. And as one skeptical farmer noted when considering the exchange of his mule for a Model T, "Fords, don't foal."

Economic growth is far too complex to be categorized simply, but the primary characteristic of the industrial revolution which has transformed our life during the last century has been the substitution of fossil fuels for natural processes in the production of food, fuel, fibre, and fun.

ECOLOGY CONFLICT

Our technology is coming into conflict with our ecology. Ecological constraints are going to necessitate the reorganization of the total human household—our economy. Some very eminent scientists are amassing an increasing body of data which indicates that we can't go on increasing our rate of utilization of fossil fuels indefinitely. The Club of Rome's *Limits to Growth* may have used some questionable and arbitrary assumptions, but the mathematics of exponential growth are inescapable.

Malthus demonstrated over a century ago the consequences of rapid population growth where land was limited. The masses of the Western world never heard of Malthus, but they did start to limit the birth rate. Our present problem in the U.S. and Europe is not the growth of population but the energy-consuming bias of modern technology. I am sure you are all acquainted with examples of this. One that gave me pause was electrical consumption on our campus. Between 1962 and 1972, the per student consumption of electricity trebled! And we don't have air conditioning. The real source of the increase in energy consumption in our economy as a whole is not the introduction of color TVs and electric toothbrushes, but the production of steel and aluminum and cement and petrochemicals and artificial fibres and space heating and cooling and passenger miles in station wagons and jetliners.

For the past century we have operated on a "cheap-energy" technology to power a high rate of growth in per capita production and consumption. This is going to come to an end—not cataclysmically, but with the deliberate speed as rational men begin to consider the economic consequences of scarcity and take appropriate action. The Arab-Israeli war has provided a convenient excuse for the Arabs, the oil companies, and our government to pretend that they were caught unaware by political events. But the handwriting on the energy crunch has been on the wall for a long time for anyone who wanted to take appropriate notice and start planning for the future.

Shortage is a relative term—it means that demand for a commodity is increasing relative to supply. Shortage of wood was one of the contributing causes of the industrial revolution. In 18th century England, a shortage of wood to heat houses and make iron drove up the price of wood and the price of coal. The increase in the price of coal led to the development of pumps and the Newcomen steam engine to power the pumps to drain the pits, and thence to a canal system and railroad system to haul the coal.

In our century, the rising price of oil is going to stimulate the coal industry and lead to technology to extract oil from shale. It will also lead to increased research and development in nuclear and solar energy systems. At the beginning of the industrial revolution, it was necessary to make large investments to create new sources of energy and harness them to productive activity. We will have to make the same investments. This is one of the important implications of the energy shortage which you should be aware of. The demand for capital is going to increase.

A rise in the relative cost of energy is a signal that the labor and capital necessary to produce it are increasing. As an example, the cost per kilowatt hour of electricity of a nuclear reactor may be significantly higher than the cost of a kwh from an oil-fired turbine because the capital costs are higher. There is only so much productive capacity in the form of capital and labor in an economy at any given time, and if you have to divert more of the productive capacity to a particular form of production, there will be less of other things produced. Another way of looking at our consumption of fossil fuels over the last century is to say that we have been consuming nautral capital. When that capital is gone, we will have to reduce energy consumption to the productive level of our ecosystem.

INCREASING INTENSITY

The most important economic consequence of the energy crunch will be the increasing capital intensity of our economic system. If we build buildings which use less energy to heat and cool, the initial construction costs will be higher. If we substitute nuclear for coal-fired generators, the capital costs will be higher. If we reduce the use of petrochemicals in agriculture, we will have to cultivate more land for the same output. To summarize these trends into one important ratio—the capital/output ratio is going to rise. For the capital/output ratio to rise, the ratio of saving and investment to national income will have to rise. A rise in the saving ratio means a fall in the consumption ratio.

Raising the saving ratio and the flow of savings into needed investment is not going to be easy. Already we are lagging substantially behind demand in the provision of consumer housing. For the past five years, corporate profits and reinvestment have not kept up with the growth of the economy or the rate of inflation. Government expenditures in excess of revenues have led to a staggering increase in public indebtedness after the past 10 years. It needs to be hammered home again and again that government deficits are either financed by borrowing funds, which are thus unavailable for capital formation, or those deficits are financed by the printing of money. The energy crunch is going to make the old capitalist virtues of thrift and efficiency once again of paramount importance. The Age of Affluence is coming to an end.

The rise in energy costs is going to have adverse effects on both our balance of trade and balance of payments. The terms of trade are also shifting dramatically in favor of energy-exporting countries. The U.S. is much more favorably placed in this respect than either Japan or our Western European trading partners. These countries are facing even more severe challenges to their economic systems than the U.S. Their trade with us and the general prosperity of the international economy will be seriously affected.

The increasing price of energy will also start to change some of the fundamental economic determinants of commercial and residential construction—both locational and architectural. In the 19th century, urban and suburban development followed the railway and streetcar lines. It may do so once again. The modern highrise is a response to the low price of energy. Tenants will revise their decisionmaking matrix when the energy costs for heating and cooling their glass envelopes and transporting employees many miles each day start to double and treble.

SOCIAL CHANGE

Technological change and changes in relative prices will have extensive ramifications for social change. Consider, for example, the impact of the private automobile on the American way of life over the past 50 years. Take it away over the next 10 years and try to visualize what 1984 will be like.

The energy crisis is one aspect of a larger ecological problem and perspective. Rather than attempt a lengthy explanation, let me use a parable. Once there was a cowboy who settled down on his own spread. He cut down all the trees to build himself a house and barns, and what was left he burned to heat the house and barns. He overgrazed his pastures until they were barren in order to raise the maximum number of cattle to exchange for consumer goods and adventures in exotic places. He polluted his stream and lowered his water table. But he didn't care, because part of the cowboy ethic was to move on, so he moved on and repeated the process. Who among you thinks the cowboy mentality is a workable philosophy in the 20th century?

The long-run economic consequences of the termination of the cowboy economy and the advent of a more ecologically-sound economy will be pervasive for the United States. There will be economic consequences which you should start planning for. We never had it so good, and we are not likely ever to have it so good again. I am talking about energy consumption, but I am also talking about our standard of living. Insofar as our standard of living is geared to energy consumption, that standard of living is not going to rise so fast in the future and may even fall for some groups. The social and political implications of "no growth" and declines in living standards are going to be very unsettling, domestically and internationally.

The other basic change in our economy which I want to discuss is "maturation." That maturation will lead to an increasing inflationary bias. We are no longer developing—we are developed. An underdeveloped economy is largely geared to the production of food, fibre, and fuel. A developed economy can produce those commodities with a small part of its labor force and concentrate an increasing proportion of its attention on education, recreation, medical care, and the employment of an ever-increasing bureaucracy. In a primitive economy—agriculture, forestry, fishing, mining—the primary sector dominates the economy. In a developing

economy the secondary sector—manufacturing and construction—plays the dominant role. Only when these sectors have reached a high level of productivity does the tertiary or service sector become large. Partly because productivity growth is lower in the service sector and partly because wages in the tertiary sector are not subject to market discipline, we are going to be subject to increasing inflationary pressures in our economy in the future.

But, you might object, look at the important elements of inflation in the American economy in 1973—food, fuel, and clothing. That seems to contradict my thesis. Yes, but 1973 was an extraordinary year. The economy was adjusting to the devaluation of our currency relative to the currencies of our major trading partners. Devaluation makes the prices of internationally-traded commodities rise in the devaluing country and, in 1973, we had the additional extraordinary effects of the Russian wheat sale and widespread crop failures in Asia to create a great leap in domestic food prices. The rise in commodity prices last year was due largely to devaluation. Devaluation was necessitated by government deficits over the last 10 years, the accumulating foreign dollar balances which financed our fiscal profligacy in general, and overseas defense expenditures in particular.

FEDERAL OVERSPENDING

Overall fiscal policy is not the only creator of inflation. If you really want to identify the culprit behind wage push inflation over the last 10 years—look to Washington. Last summer during the beef shortage and housewives' boycott, an advertisement was run in a local paper by the Cattlemen's Association which read "Don't boycott beef—boycott postage stamps. The price of first-class mail has risen three times as fast as the price of beef over the last 20 years." Behind that ad was a profound truth—the government, as the major employer and purchaser of services in our economy, has been far and away the most important contributor to domestic inflation. It has set the inflationary pace with its own personnel and purchasing policies.

During the last 10 years, the wages and salaries of the federal civil service have gone up faster than practically every other group in the economy. And what is even more ominous for the future is that federal employees have a nonfunded pension system which is far more generous than most of those with which I am familiar. When large numbers of federal civil servants start to retire, federal labor costs will soar still further.

Federal civil service compensation has risen dramatically over the past 10 years, and it has been followed, and in some cases exceeded, by state and municipal employees.

Ask yourself what other sectors of the economy have been highly inflationary in recent years. Two that are close to the top are contract construction and medical care. Who are the major customers in both industries? State and federal governments. In construction, the operation of the Davis-Bacon Act has given the construction unions virtually carte blanche to drive up construction costs, which are passed on to consumers. In the medical areas, we can applaud extended medical care under various state and federal programs, but government has given the hospitals and the medical profession virtually free rein to pass on rapidly rising costs.

Large corporations are a frequent target of popular ideology. They are the villains who supposedly conspire to raise prices and profits. Likewise, large industrial unions—the autoworkers, the teamsters, the steelworkers—are thought to use their strong bargaining positions to raise their incomes at the expense of the economy as a whole. These explanations may capture the popular imagination, but they don't square with the facts. The really inflationary sectors of the economy in recent years have been those dominated by the monopoly par excellence—the federal government.

Not only have wage increases in the government-dominated sectors of the economy been the highest, they have also been the areas in which productivity growth has been the slowest. Admittedly, it is difficult to measure "productivity" in the Department of Health, Education and Welfare or in the Pentagon. The one study I know of in the government sector was in the Post Office, and there productivity growth was negative—a conclusion some of you may have reached without elaborate statistical analysis by observing your postage costs and the speed and dependability of your mail service.

ACTIONS NOT WORDS

I'm sorry if this sounds like a panegyric. What distresses me more than the amoral behavior of some of our political leaders is their failure to square their rhetoric with their actions. John Kennedy asked us to consider "not what your country can do for you—but what you can do for your country," and it was his administration which built escalation into the wages of the federal civil service through the so-called "parity" system. Lyndon Johnson told us we could repeal the laws of economics and have both "guns and butter" and in the process fueled the inflation which we have yet to bring under control. Richard Nixon has preached the Puritan ethic to us and run the largest fiscal deficits of any President in history. After 10 years of devaluing the political currency, the American people no longer believe anything that anybody says, but they do blame the government for inflation, and they are right. I wonder when people will start to realize that one of the important reasons for poverty in America—inadequate provision of food, housing, clothing, medical care, and education for many of our people—is the diversion of an ever-increasing share of our labor force to manning a bureaucracy and foreign legion which produces no goods, and services of questionable ability.

POLITICAL FACTORS

Even if we were to continue a rapid rise in productivity in the agricultural and manufacturing sectors (and for reasons connected with the energy crunch and ecology I don't think we will), and even if we were to experience rapid productivity growth in these sectors, their contribution to price stability would be smaller because our economy has "matured" and an ever-increasing sector of the economy is in the low-growth or "no-growth-in-productivity" service sector of the economy. As a result of maturation, costs are politically determined rather than controlled by the competition of markets—inflation is going to continue and increase.

Let me sum up the two main thrusts of my comments: (1) The energy crisis is not a temporary or short-lived phenomenon. It will result in fundamental changes in the operation of our economy. Over the longer run, the necessity of creating new sources of energy and new technology will increase the ratio of capital to output and of capital to labor in the economy. We will have to increase the percentage of saving and investment in the economy to maintain the present level of per capita output. We face the prospect of lower consumption levels in the future. (2) The rate of inflation is not likely to debate in the immediate future unless every strong political action is taken to deal with it. And I regard that as unlikely. Even in the Soviet Union, where the government is the sole producer and employer and economic crimes are punished by exile to Siberia, inflation is a chronic problem because expectations exceed the capacity of the economy to produce consumer goods and investment goods, while supporting heavy defense expenditures and a burgeoning bureaucracy. Inflation, like the poor, will always be with us.

I would like to conclude by suggesting some immediate and practical consequences of my analysis for your business as mortgage bankers. First, the demands for capital are going to increase relatively and that is going to drive up the "real" rate of interest the monetary rate minus the rate of inflation). Second, interest rates are going to be higher than they have been the last 10 years, or the continuing impact of inflation is going to leave the "real" rate of interest too low to attract investors into fixed interest debt instruments. All of this is extremely discouraging for residential housing, which has to be one of our number one priorities.

I have three suggestions, and there is little you can do about the first two except in your capacity as influencial private citizens. The first suggestion is to create a tax and subsidy system for the public control of the economic and ecological use of urban, suburban, and residential land. Yes, I am talking about a return to some of the principles of Henry George. I can think of no factor which has more powerfully and needlessly skewed the distribution of income and frustrated the "American dream" than our present convention of treating land as a private commodity. This has allowed great fortunes to be amassed from land speculation and no more socially useful role for the landowner than being in the path of progress. It has been aided and abetted by our tax system. It has been the rising price of land which has priced many American families out of decent homes. I challenge you to use your influence to deal with this problem.

Second, we need a rationalization of construction technology. A national standard uniform building code designed to insure safety rather than safeguard craft unions from competition is very badly needed. Can you imagine where the auto industry would be today if they had to meet a different set of obsolete standards for every municipality in which they sold autos? Perhaps the mortgage industry could take the lead in the drive for a national building code. I challenge you to do something about it.

Third, and this is within your power as mortgage bankers, we need to devise new forms of debt instruments to finance the long-term purchase of homes and to assure an adequate inflow of capital into the industry. I know that many of you have studied "variable interest" mortgages. If investors are to be attracted to residential mortgages, they are going to have to have some assurance that their rate of return after inflation is attractive. The homebuyer has another problem. He has to match his monthly payment with his income. Has anyone thought seriously about "variable payment" mortgages? Homeowners and mortgagees would be much more able and willing to bear high interest rates if monthly payments started lower and increased with incomes and inflation. Constant payment mortgages do not make sense when inflation becomes a permanent feature of economic life.

There are very complex economic and financial problems involved in a proposal such as "variable interest," "variable payment" mortgages, but I believe them to be well within the scope of your ingenuity and organizational abilities. There is a parallel in my proposal here with the system which Yale University has devised to finance educational investment with repayments geared to future income. I personally believe that the sociological and economic consequences of creating a nation of homeowners are of sufficient importance to make a new type of

"variable interest" "variable payment" mortgage a prime element of national policy. I personally think it is a lot more important that going to the moon.

If my predictions are correct and the energy crunch drives up the "real" rate of interest while the "maturation" of the economy leads to higher rates of inflation, something creative will have to be done by our nation, if we are to continue to be a nation of homeowners.

I leave you with the parting observation of a sage student that in economics the questions never change—only the answers.

TELEVISION AND IMPEACHMENT

Mr. CLARK. Mr. President, Senator MANSFIELD already has expressed his support for television coverage of the impeachment process, and he included in the RECORD of May 6 a Los Angeles Times editorial to that effect.

I agree with the majority leader.

If the constitutional process begun by the House Judiciary Committee should reach the stage of an impeachment trial in the Senate, the widest possible coverage of those proceedings would be in the best interests of the Nation. We have the technological ability to bring this most serious of constitutional processes directly to the people. The President, appearing on network television, chose to make public transcripts of his conversations. I hope the Senate also will choose to make as public as possible any impeachment proceedings.

A decision about whether or not to allow live television coverage must be considered carefully, and to further discussion on that subject I ask unanimous consent to have printed in the RECORD several articles representing different viewpoints on that issue.

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

[From the Washington Post, Apr. 26, 1974]

IMPEACHMENT: A PRIME TIME FOR TV

(By Marquis Childs)

Whether television will or will not be allowed to report the final phases of the impeachment process is one of those debates curiously outdated. Like it or not television is a fact of life and millions of Americans get their entire knowledge of public events, limited though it is, from the little screen.

The objection is that the television would turn the whole business into a circus with members hamming it up for the folks back home. House Speaker Carl Albert is saying privately he is determined there shall be no repetition in the House of the Senate Watergate hearings which he considered a travesty of orderly procedure.

A test is soon to come when the House Judiciary Committee starts taking evidence looking to an impeachment resolution. Whether this will be entirely behind closed doors is still undetermined. But if reporters are admitted for all or part of the testimony it would seem impossible to keep out TV cameras.

The real test will come, however, when and if the Senate tries President Nixon on the charges presented in a resolution of impeachment coming from the House. At that point, in my opinion, the nation is entitled to live continuous television coverage.

This, say the opponents, would turn the most important trial in the nation's history into a Roman gladiatorial spectacle. That assumes there can be no careful, controlled use of the camera in a formal atmosphere. The United Nations offers evidence to the contrary.

Television cameras are invisible in the General Assembly hall and in the Security Council chambers when an important debate is going on. The signal goes out without the principals being aware of it. TV specialists complain that the lighting in the Assembly hall is inadequate and that therefore the picture is not as sharp as it might be. So far as the viewing public goes this is unimportant.

Granted the UN headquarters was built in the television era; with comparative little outlay a sound proof booth could be built into the Senate chamber to hold the television apparatus. It could be almost as unobtrusive as at the UN. With rules governing the privileges of each Senator, of defense lawyers and the managers of the impeachment, the opportunities for hamming it up will be non-existent.

Here is an opportunity for television to prove that it is a mature public service and not just a money machine designed to exploit violence and fear. It must be a pool operation. Sponsors are surely out. At intervals of an hour or half an hour there could be dignified commercial announcements.

Sen. Mike Mansfield, the Senate majority leader, favors televising a trial. But he has talked to several of his colleagues who are opposed and, since the Senate by a majority vote must approve, Mansfield is doubtful that the cameras will be admitted.

Consider what is likely to happen in that event. Senators coming off the floor during the trial would give reporters their own versions of how it is going and those versions, needless to add, will not be without prejudice. Transcripts of the testimony carried in full by some newspapers would not be the equivalent of what the viewer could see and hear on his own screen.

At best it is a bad business. At best it is certain to churn up emotions already deeply stirred. But to witness it through a medium that has access to at least 100,000,000 homes is a warrant that the whole truth can be known to those who watch.

Television is not entirely a stranger in the halls of Congress. Presidential addresses have been televised live since the advent of the camera. And now and then committee hearings are opened to TV.

Problems can be overcome. One is how to light the Senate which normally is bathed in a subdued radiance. Surely that can be mastered without drenching the chamber in such brilliance as to drive each Senator to dark glasses.

Network tycoons seem to assume at times that they own the airways. The channels belong to the public and are assigned through an agency duly constituted by law. Here is an opportunity for this fantastic giant of communications to prove that it is a public instrument for the public good.

[From the Washington Post, May 4, 1974]

TV AND IMPEACHMENT

IMPEDING THE PROCESS OF JUSTICE

(By Paul A. Porter, a Washington attorney, who was formerly chairman of the Federal Communications Commission)

I respectfully dissent from the position of the Post that the impeachment trial of the President in the Senate, if the House votes a bill, should be televised. I agree with Professor Barron's conclusion that "televising the national torment of a President's impeachment would be unwise." This in spite of Dean George Reedy's contention that "the presidency belongs to the people . . . and they have the right to be present at least as spectators.

This writer was present at the creation of national television and Chairman of the F.C.C. when the initial allocation of frequencies was made. Through the succeeding years, I have watched the fantastic development of this media with admiration for its growth and an awe bordering on terror for its impact. As a lawyer interested in the basic elements of due process and the right to a fair trial, it is submitted that televising the Senate proceedings could raise serious impediments to the process whether intended or not. I will not particularize the obvious.

A trial before the Senate presided over by the Chief Justice will indeed be a historic and momentous proceeding as George Reedy described. With the Chief Justice presiding, the managers for the House will have the burden of presenting their case presumably in accordance with evidentiary standards as if in court and counsel for the respondent will hopefully have the right to test that case by cross-examination and then produce probative evidence on the President's behalf as in the traditional adversary proceeding. The hundred members of the Senate will be sitting as jurors in the conventional sense. Hopefully this will be a carefully constructed, orderly procedure devoid of histrionics and sensationalism. The issues are too grave and fundamental to be exposed to such televised techniques of a Perry Mason or a Mr. District Attorney which give a superficial image of our processes of justice. In short, it could indeed be a dull event for a national television audience.

This is not a new phenomenon. In the early days of television, the famous Kefauver hearings were covered on live television. This prompted the late Judge Thurman Arnold to write a penetrating and provocative essay in the June, 1951, issue of the Atlantic Monthly entitled "Mob Justice and Television." Some of Judge Arnold's points seem appropriate today. A few of these are summarized:

"Trials in our courts of justice are public but the audience is so limited that the ordinary housewife can't see the show because, as we go to press, cameras are banned. I suggest that if this rule can't be changed, all the judge had to do is to hold a trial like that of Alger Hiss in the Yankee Stadium. . . .

". . . This kind of presentation [television] makes the problems of government simple enough to be understood by readers of comic strips. It eliminates the bores who are unable to discuss a public issue as a matter of black and white. When ex-Mayor O'Dwyer was testifying about the problem of crime from his vast experience as a prosecutor and a mayor, I am informed the stations were flooded with calls to get him off and put Virginia Hill back on. . . .

"The thing which I believe is overlooked by those who argue that television is a legitimate extension of our traditional public hearing is this. The reason that a criminal trial is public is not to obtain the maximum publicity for judges or prosecutors. It was not intended to make a *cause celebre* out of criminal prosecutions. It is for the protection of the accused against star chamber methods, and for the protection of the public against secret deals and alliances.

Finally, Judge Arnold reached this conclusion which seems relevant to the current discussion as to whether the Senate impeachment hearings, if convened, should be televised:

"The vice of this television proceeding is not in the way this particular committee conducted it, but in the proceeding itself. Any tribunal which takes on the trappings and aspects of a judicial hearing, particularly where there is compulsory examination of witnesses, must conform to our judicial traditions, or sooner or later it will develop into a monstrosity that demands reform. Those traditions are:—

1. It must be public and at the same time not a device for publicity.

2. It must protect the innocent even at the cost of letting the guilty escape.

Television has no place in such a picture. For witnesses it is an ordeal not unlike the

third degree. On those who sit as judges it imposes the demoralizing necessity of also being actors. For the accused it offers no protection whatever. Former Federal Judge Rifkind recently said that our judicial procedure, 'forged through the generations to the single end that issues shall be impartially determined on relevant evidence alone, works fairly well in all cases but one—the celebrated cause. As soon as the *cause celebre* comes in, the judges and lawyers no longer enjoy a monopoly. They have a partner in the enterprise, and that partner is the press.' I would add that when television is utilized in investigations or trials, *causes celebres* will increase like guinea pigs and still another partner will be added—to wit, the mob."

AN OBLIGATION TO COMMUNICATE DIRECTLY

(By Fred W. Friendly, former president of CBS, and a professor at the Columbia University Graduate School of Journalism. This article is adapted from his testimony before the Joint Committee on Congressional Operations)

Permit me to begin with quotations from two distinguished colleagues, one who practiced my profession, the other yours.

"When a man is really important the worst adviser he can have is a flatterer." That's the scripture from Gerald Johnson, the Baltimore editor and historian, and I hope it applies to our dialogue here today.

The second quote, in 1808, is from a lame duck President, Thomas Jefferson, who, in an attempt to recruit barrister William Wirth of Virginia into running for office, wrote: "The object of this letter is to propose to you to come into Congress. That is the great commanding theatre of this nation . . ."

My unflattering question is—have you let Mr. Jefferson down, have you permitted technology and the natural inclination and central motivation of Presidents to move "the great commanding theatre of this nation" to the other end of Pennsylvania Avenue?

And whose fault is that—not Marconi's, or Murrow's, or Cronkite's or Chancellor's, not even Coolidge's, or Kennedy's or Nixon's. They merely invented or exploited new forms of communications which the Senate and the House chose to ignore or to regard as a howling sideshow instead of an electronic extension of the spectators galleries of 426 seats in the Senate and 732 seats in the House. You closed your eyes and ears to a miracle permitting your gallery to be filled by three or four sightseers and lobbyists from each of your constituencies while the Executive Branch transformed its "Bully Pulpit" into an electronic throne. Presidents have used broadcasting as a magic political carpet, transporting the citizenry to the oval Office, to the ancient wall of China, ironically even to the floor of your joint sessions while you, with few exceptions, have relegated these miracles to the status of a kind of over-the-transom, Peeping Tom, too theatrical or "too dangerous" to be allowed in . . .

I wonder if you and your colleagues are aware of what's going on in our republics? Let's take West Germany. Later this month the Bundestag will be conducting a historic debate on proposed reforms of the abortion laws. It is an inflamed issue, but there is no controversy over the reality that Germans from the North Sea to Bavaria will be watching every minute of it on television. Indeed, nations which were not even born when television was a political fact of life in the United States, now permit and provide live coverage of their legislative process. Because the Security Council of the United Nations provides live coverage of its debates, many Americans understand more about the voting and deliberative process of that body than they do of their own nation's. . .

The hidden agenda item in all your deliberations, of course, is the growing concern over the possibilities of impeachment and a Senate trial involving the President. One of America's most respected newspapermen, James Reston, has pronounced that such events of government should be closed to television because it might turn the trial into a nightmare; Senator Buckley and others fear a three-ring circus. My conviction, Mr. Chairman, is that the public's presence via the television camera will preserve decorum and dignity but certainly if this trial occurs, the American people will require a first-person, unabridged view of so historic an event without having it strained and filtered through the eyes and ears of even the most responsible newspapers. Much of the confusion over the impeachment and subsequent trial of Andrew Johnson exist today because print journalists alone, no matter how skilled cannot preserve the essence and dynamics of such complex procedures. None of us here today can know whether such a trial will take place, but I can assure you that neither history nor the American public will accept surrogate witnesses to so momentous an event . . .

What you need is a plan of action, not just a removal of restrictions. Of all the more than 30 resolutions over the past 30 years from Senator Pepper to Representative Pepper, the most stimulating and potentially productive plan is S.R. 136, proposed by Senator Byrd of West Virginia. Simply stated, it suggests "a full and complete study and investigation with respect to the broadcasting and telecasting (including closed-circuit telecasting) of the proceedings of the Senate." I trust that the Senator will consider it a friendly if unofficial amendment if I add the phrase—and House of Representatives.

The wired Congress, if I may use that as shorthand for putting cameras and microphones in both chambers, and all hearing rooms, and connecting them by coaxial cable to every office, dining room, lobby and a videotape center will be expensive but will cost far less than building a modern destroyer or celebrating the bicentennial. Operating it will be less expensive than running a destroyer or an atomic submarine per year. Senator Byrd's resolution needs to be costed out and studied—now. Such a survey could be accomplished with an economy of time and funds. . . .

Now, Mr. Chairman, you will ask, "But how does wiring the Congress ultimately reach the nation? Live or delayed coverage will still be subject to the gatekeeper function of the commercial networks and even of public broadcasting." That is true although the performance of public television and radio during the Watergate hearings was a major breakthrough in prime time coverage.

My proposal is not only to make the wired Congress available to all networks, but to leap over all those gatekeepers with their varied values and priorities and deliver the signal direct to 200 American communities. If telephone company long line and microwave distribution is too expensive, synchronous satellites made possible by this nation's maximum, costly effort in the space program will this year, and in the next three years make it possible to spray television signals into every time zone simultaneously. . . .

One may ask: Why will these local broadcasters relay them to regional audiences if the networks won't? My response is—for the same series of reasons that cause some 500 different newspapers to send correspondents to Washington. These editors know that political reporting from the nation's Capitol is like regional accents and customs—different for various communities.

Debates on farm subsidies will find their audiences in Kansas, Iowa and Louisiana, while New York and Massachusetts would be more attentive to the hearings on mass transportation and urban blight. . . .

To sum up, take Senator Byrd's proposal of June 1973 seriously, combining it with Senator Pastore's proposal to commemorate our 200th birthday by opening Congress to the nation. A study on costs and feasibility would take less than six months, a decision to go could be possible in time for 1976.

IMPEACHMENT ON TV: TWO VIEWS

(By Jerome Barron)

Impeachment trials, fortunately, are such rare events in this country that there is little direct, authoritative guidance on whether impeachment of a President should be televised: We have no experience on the question of mixing impeachment with television.

When the Billie Sol Estes case came before the Supreme Court in 1965, Justice Tom C. Clark, speaking for the court, said that the "chief function" of judicial machinery was to "ascertain the truth." Rather tartly, the court said: "The use of television, however, cannot be said to contribute materially to this objective."

In an impeachment proceeding, the senators are the jurors.

"If the community be hostile to an accused, a televised juror, realizing that he must return to neighbors who saw the trial themselves, may well be led 'not to hold the balance nice, clear and true between the state and the accused,' " the Supreme Court said. Furthermore, is there any real answer to the court's anxiety that television inevitably fixes the jury's eyes on the camera rather than on the testimony?

In an era when the law has extended due process concepts to more and more areas of American life, surely it is hard to argue that due process and its implications for criminal trials should not also apply to the question of televising an impeachment.

It may be said that hearings of the Senate Watergate Committee were televised, and that if the proceedings of the committee that led to an impeachment could be televised, why shouldn't the impeachment trial itself also be televised?

The two are not comparable. Only at the outermost perimeters of its legislative responsibilities did the Watergate Committee touch on questions of guilt or innocence as they might affect criminal defendants, the *raison d'etre* of the impeachment trial, however, is the guilt or innocence of the accused.

Excluding the television cameras would not deprive the public of its right to know. Coverage by the print press of any impeachment will be continuous, extensive and free-wheeling. News and commentary on radio and television would be similarly free and extensive. That is our tradition, and the precedent of the Andrew Johnson trial. But televising an impeachment would allow publicity to become all pervasive.

In an impeachment, the Senate is, in effect, a courtroom, and we therefore should remember the counsel of Chief Justice Earl Warren in his separate opinion in the Estes case: "We must take notice of the inherent unfairness of television in the courtroom and rule that its presence is inconsistent with the 'fundamental conception' of what a trial should be."

I think the conclusion is clear: Televising the national torment of a President's impeachment would be unwise.

NO BARRIERS BETWEEN PUBLIC AND THE FACTS

(By George Reedy)

Even though Congress still has to decide whether President Nixon should be impeached and tried, it is not too early to give careful—and, I hope, favorable—consideration to allowing full, live television coverage of the proceedings.

There are issues of public confidence at stake which go beyond the usual questions of press freedom and access to news—and the decision should not be made casually.

Traditionally, both Congress and the ju-

diciary have been reluctant to admit television cameras to their proceedings. I can concede that there are coherent reasons for this reluctance even though I am not certain the reasons are wise. But impeachment is an extraordinary procedure, and whatever may be the merits of the precedents, they cannot be made to apply without some unusual logical acrobatics.

After all, impeachment is a device whereby 535 men and women—435 through indictment and 100 through trial—can take from a man a grant of ultimate power which was given to him by all the people. In the best of circumstances, it would be hazardous for a small group to reverse a decision made by the entire electorate. Our constitution provides no method for direct public participation in the deliberations. But television provides a method for direct public witnessing of the proceedings, and there are values to this that are incalculable.

Admittedly, no device can make the final decision satisfactory to everyone. President Nixon's implacable foes—those who hated him even before Watergate—would regard anything less than 100 per cent impeachment and conviction as evidence of legislative cowardice. His last-ditch defenders would regard anything less than 100 per cent acquittal as evidence of a sinister plot to railroad their hero. A Senate vote somewhere between 50 per cent and the two-thirds required to convict would open up nightmares of recriminations.

But the ultimate popular verdict will rest upon the majority which is in between the two poles. This is a group which can render a reasonable judgment—especially when its members have seen events with their own eyes. In terms of the future of American unity, the popular verdict is fully as important as the legislative verdict. There should be no barriers whatsoever between the public and the facts.

Legislators, of course, have always resisted the presence of television cameras during legislative sessions. The reason is simply that floor sessions are only a small part of the legislative process and here the lens can distort because it makes one—and not the most interesting—part look like the whole. But an impeachment session would not be a legislative session. All of the events of major importance would take place right on the floors of the House and Senate chambers. The legislators could be relied upon to be present and to listen to the arguments. The speeches would be relevant and cogent. And finally, there would be no precedent established other than the presence of television during an impeachment session—not during a legislative session.

When everything is added together, it seems to me that there is more than ample justification for televising the proceedings in both the House and the Senate. The President should have an interest in having his side of the case stated directly to the people as well as to the Congress. The Congress should have an interest in giving the people an opportunity to see for themselves that the legislative conduct is rigidly fair. The print media should have an interest in permitting the readers to observe for themselves that interpretation and backgrounding is based upon fact and not distortion.

But the most important interest to be served is that of people themselves. The presidency belongs to them—not to the Congress or to the media. If Congress is to direct a change in the occupancy of the office, they have the right to be present, at least as spectators, and there could be grave consequences were they to be denied a right so readily available.

[From the Wall Street Journal, May 1, 1974]

THE FUTURE OF CONGRESS

(By Arthur Schlesinger, Jr.)

There has been much lamentation recently over public opinion polls showing that Congress rates as low as or even lower than President Nixon in the esteem and confidence of the American people (or at least of the thousand or so among them who responded to the poll). This result, however, could not have been less of a surprise to historians.

Congress has never done well in winning the hearts and minds of the people. "It could probably be shown by facts and figures," wrote Mark Twain, "that there is no distinctly native American criminal class except Congress"; or, in another mood, "Reader, suppose you were an idiot. And suppose you were a member of Congress. But I repeat myself." "Who are they as bats and night-dogs askant in the capitol?" asked Walt Whitman. ". . . Are those really Congressmen?" "You can't use tact with a Congressman," a member of Grant's Cabinet told Henry Adams. "A Congressman is a hog. You must take a stick and hit him on the snout." "Some statesmen go to Congress and some go to jail," wrote the gentle Eugene Field. "It is the same thing, after all." "After a man has been out of Congress awhile," wrote the sardonic Ed Howe, "people say, 'You wouldn't think that man had been in Congress, would you?' "

In short, the abuse of Congress is an old and honorable American tradition. Every Congress has its strutters and ranters, its sharpers and pettifoggers, its fools and rogues. Every electorate has its tendency toward synecdochet—taking the part of the whole—and therefore cheerfully identifies Congress as an institution with the fecklessness or knavery of a tiny minority of its members. As a large, amorphous, shapeless body embracing a wide divesity of opinion and temperament, Congress can be plausibly blamed for almost everything. Congress, we all know, is myopic; it is venal; it is cowardly; it is ineffectual. And Congress, of course, is even worse when it is effectual. Then we have that alarming state of affairs described by Woodrow Wilson as "congressional government" when Congress, as he wrote in 1885, "has entered more and more into the details of administration, until it has virtually taken into its own hands all the substantial powers of government."

RESTORING A BALANCE

In those days the Constitution was out of balance in the direction of Congress. In our day it is out of balance in the opposite direction. Our problem is a presidency that has virtually taken into its own hands all the substantial powers of government, and our need is to restore the balance of the Constitution by reestablishing the congressional role. The results thus far, even after Watergate, have been disappointing. With the presidency on the run as it has not been for a long time, Congress, outside the area of direct presidential culpability, remains generally feeble and complaining respecting presidential wishes, sustain presidential vetoes, cautiously holding back from any aggressive use of its own constitutional powers.

Hubert Humphrey summed it up in a poignant outburst on the floor of the Senate last October, "I have served in the Executive Branch," he began (Senator Humphrey is wrong—or at least President as recent as Truman and Eisenhower would disagree with him—in supposing that the Vice President is a member of the Executive Branch, but that is another story), "and I want to tell you, it is easy to roll this body [Congress], because the Executive Branch comes in with power, comes in with information, is able to mobilize public opinion. . . . The Congress, lacking staff, expertise, information, and will, has been overwhelmed by the Executive juggernaut." Sen. Humphrey had tough words for his colleagues: "When it comes to ourselves, we are afraid. We are fearful men. We are afraid to go home and face our constituents. We will not even provide a parking lot. And yet we will provide for the Executive Branch of government marble halls."

What is Congress' trouble? Why after Watergate should it still linger in this condition of impotence? Even Congress cannot escape its responsibilities with regard to impeachment; for a decision not to impeach would represent a solemn congressional judgment that Mr. Nixon had done nothing to warrant impeachment and would therefore license his successors to do what he has done. But, apart from impeachment, the post-Watergate Congress, even though controlled by the opposition party, seems rather less consequential than the so-called "rubber-stamp" Congresses of New Deal Days.

It is saddening to reflect on the decline of Congress over the last 40 years. It is not a decline in the quality of its membership. Congress has rarely had a higher average level of intelligence and concern than it has today. Anyone who spends much time testifying before congressional committees is impressed by the thoughtful questions and by the serious desire to get at the substance of problems. But Congress as a whole matters less in the balance of government than it did 40 years ago.

The so-called rubber-stamp Congresses of the 1930s, for example, imposed a number of important laws on the Roosevelt administration. The Federal Deposit Insurance Act and the Wagner Labor Relations Act both originated in Congress. Moreover, though the average ability may be higher today, there were many more men of real power and will in Congress then—men whose views, whose very whims, even Franklin Roosevelt had to take into account. Can one imagine a Majority Leader resigning today because he disapproved of a presidential action as Alban Barkley did in 1944? In those years the Senate contained men like Norris, La Follette, Borah, Carter Glass, Hugo Black, Burton K. Wheeler, Jimmy Byrnes and Joe Robinson, Vandenberg and Taft, Wagner and Barkley, McNary and Truman, William Gibbs McAdoo and Huey Long. They were proud, independent and self-reliant men, like barons in the days before the king had broken the feudal system and created the modern state, FDR worried about them, talked to them, propitiated them, in short took them very seriously indeed.

The present crowd is less egotistical, better informed and probably more responsible than the Congresses of 30 years ago; but far from easier for Presidents to ignore. Congress itself, in its periodic fits of bemoaning lost powers, likes to go in for mechanical explanations of its low state. If only Congress had more information, more staff, more computers and so on, then at last it would be equipped to take on the Executive. I am all in favor of Congress having more information, staff and computers, but I do not think this is the problem. Of Hubert Humphrey's four points—staff, expertise, information and will—the last is vital. The others are alibis. Congress can get all the staff, expertise and information it needs. What it lacks is the will to use the power it has. The fault, as usual, is not in their stars, but in themselves that they are underlings.

A CONSPICUOUS EXCEPTION

The barone of 40 years ago did not have computers. What they had was a willingness to challenge Presidents. Today all too few Senators are ready to take on Presidents in a sustained and purposeful way and least of all in the field of foreign affairs. A conspic-

uous exception is Sen. J. William Fulbright of Arkansas. He is one of the few Senators whom contemporary Presidents have to take into account—one of the few who make a difference to the constitutional balance. His courage, his knowledge, his grace and clarity of expression have been a strong congressional weapon against a foreign policy run imperiously out of the Oval Office. As Sam Ervin educated the country about the Constitution, Bill Fulbright educated us about the Indochina war. One may disagree with things Sen. Fulbright has done or positions he has taken, but he has been steadily on the side of reason and restraint in foreign policy, and he has made Congress matter in the conduct of our foreign affairs.

There is a strong possibility that Sen. Fulbright's time may be over. The popular governor of Arkansas, Dale Bumpers, has challenged him in the Democratic primaries. The election is on May 28. Gov. Bumpers is well ahead in the polls. From all one hears, Gov. Bumpers is an attractive and liberal-minded man. But, for those who care about restoring the balance of the Constitution, the defeat of Sen. Fulbright would be a grave setback. Congress cannot afford to lose those few among its members whom Presidents have to take into account. If Sen. Fulbright is beaten, Sen. Sparkman of Alabama is next in line to become chairman of the Foreign Relations Committee. John Sparkman has served the Republic well. But he will be 75-years-old this year; his best years are behind him; and he has never had Sen. Fulbright's skeptical and inquiring mind in international relations.

The voters of Arkansas will make their own decision for their own reasons. But if they care about the effort to reestablish Congress as an effective partner in the American process of government, they will send Mr. Fulbright back to the Senate. And unless Congress recovers a sense of its own powers and the courage to use them, the imperial presidency will survive even the conviction and removal of Richard Nixon.

ECONOMIC ANALYSIS

Mr. BROCK. Mr. President, the issue of free trade is a difficult one for all of us. Nevertheless, it is one of great concern to the entire Nation. This is clearly discussed in last week's Wall Street Journal.

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

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

AUTO INDUSTRY PROTECTIONISM HIT

A number of influential Congressmen are making noises about imposing quotas on foreign car imports into the United States, although so far only one has actually introduced legislation to that effect. Nevertheless, protectionist sentiment is clearly growing on Capitol Hill. And officials of the United Auto Workers, in a significant departure from their usual trade position, are seeking to persuade foreign manufacturers to voluntarily restrict their exports of motor vehicles to the U.S.

The reason free trade is losing ground this time around is because of the recent slump in U.S. auto production, which during the second quarter is expected to be the lowest in more than a decade. But overall production figures can be misleading. Output is down not so much because the demand for new cars has fallen, but because Detroit hasn't yet completed its changeover to meet the widespread demand for little cars brought about by the energy shortage.

Nevertheless, the UAW and its congressional allies propose to meet the nationwide demand for small cars by restricting the importation of small foreign cars. Somehow the logic of that decision eludes us. So does the logic of trying to limit small car imports at a time when the need to conserve fuel has never been more urgent.

The trouble with protectionist arguments is that they view economic questions from the narrow, short-term perspective of producers who feel their interests are threatened. While the concerns of the producers are sometimes valid and certainly understandable, the nation's long-term interests of producers are served as well, since competition forces them to adapt to changing conditions and thereby remain vigorous enough to survive.

The world has come a long way towards free international trade in the last 15 years or so, with enormous economic benefits to everyone who has participated. There indeed have been adjustment problems and those problems have at times become acute in some industries both in the U.S. and abroad. Recent attempts by primary producers, particularly the oil nations, to interfere with free markets have posed a threat to those gains. But a retreat from free trade at this point led by the United States could be disastrous to the world economy. The interests of U.S. auto workers and everyone else will be better served by adaptation and competition for the small car market.

CONGRESS SHOULD HELP EMPLOYERS HELP EMPLOYEES

Mr. HANSEN. Mr. President, by tabling the Dominick amendment to revise the Occupational Safety and Health Act, the Senate refused an opportunity to correct some serious inequities affecting employers which this act has imposed, and to make it easier for them to provide conditions for their employees which comply fully with the provisions of the act. It was the original intent, after all, of the Congress, to guarantee safe and healthful working conditions for employees in this country. That is what the Occupational Safety and Health Act was and is all about. Placing impossible obstacles in front of employers and imposing unnecessarily harsh punishment on them will not better the lot of employees.

The Dominick amendment, which embodied the provisions of S. 1147 did not alter the intent of the Occupational Safety and Health Act to protect the working people of this country. To the contrary, it enhanced this objective, and facilitated compliance by employers with the requirements written to protect employees. It was a very good amendment, and I hope my colleagues will consider it again in the future and approve its passage.

The act, as presently written, places too much emphasis on punishing employers for noncompliance, and not nearly enough on assisting employers with compliance so that workers will be fully protected.

Certainly, it is reasonable to penalize employers who neglect to provide safe working conditions, or who decline to correct identifiably hazardous conditions which represent a threat to employees. But it does not make sense to punish employers for the sake of punishment, particularly when almost all of them are willing to comply, but in some cases are unable to do so, because of inability to determine their responsibilities.

What Congress must do now that we have observed for a reasonable period the operation of OSHA and the inequities that some of its provisions cause, is revise the act where needed in order better to achieve its intent: the protection of the health and safety of employees.

Instead of coercing and harassing employers into compliance, it would make more sense and result in greater success to take steps to inform them first of their obligations, so that lack of knowledge and understanding will not be the basis of noncompliance. As presently written, the Occupational Safety and Health Act actually does a disservice to the employees it was designed to protect, because it does not enable employers to do the best job of protecting their workers. The act imposes on employers hundreds of complicated and in many cases vague requirements which must be met under threat of citation and possible punishment, but denies them the help that would permit them to comply and thereby to provide the ideal working environment the act seeks for employees. If an employer is unable to comprehend what the act requires of him, citations and fines will not necessarily increase his understanding of the rules; nor will these punitive actions enhance his ability to comply. The Dominick provision to permit onsite consultation would greatly increase the ability of small employers to learn what their obligations are and to bring their operations into compliance.

Also, Mr. President, the Dominick proposal would rescind OSHA's discretionary authority to assess penalties for nonserious violations on the first inspection. It is not reasonable to subject employers to fines up to $1,000 for nonserious violations discovered during the first visit to the premises.

Further, the Dominick amendment would change the penalty for serious violations from mandatory to permissive, requiring OSHA to take into account the seriousness of the violation, the good faith of the employer, and his record. Under our system of justice, judges imposing sentences on those convicted by a jury for committing a crime often have authority to consider circumstances in arriving at a sentence. Employers cited under OSHA provisions do not have the benefit of a jury trial, and should not be subjected to mandatory fines regardless of the circumstances of the violation.

The Dominick amendment also permits an employer who has been cited to apply for a variance from the standard violated on the ground that work procedures in operation at the time of the citation are equally effective in protecting his employees. It does not make sense to impose punishment for practices or conditions which do not constitute a threat to the health or safety of employees. The employer should have the right to prove if he can that a variance from the standard is merited.

The Dominick amendment provided

that citations for violations need not be displayed by employers after the violations have been corrected. Such a requirement is ridiculous, and serves absolutely no purpose other than to needlessly punish employers. It contributes nothing toward the safety of employees.

And, the Dominick amendment required the Occupational Safety and Health Administration to consider the economic impact of proposed new standards, and to publish such economic data in the Federal Register along with the standards. Too often, Federal agencies impose requirements and restrictions on individuals or industries which result in substantial compliance costs. When regulations are imposed, OSHA should be required to take into account the potential cost to industry and employers of complying with the regulations. Such a requirement might instill within OSHA a healthy respect for and understanding of the problems faced by employers in meeting the act.

Mr. President, every member of the Senate has heard from constituents who have had problems complying with the Occupational Safety and Health Act, or who tried to comply, but were cited and fined despite their best efforts. We have all read countless articles both pro and con about the act as it presently is written, and about changes some feel should be made. I ask unanimous consent at this time that two articles dealing with OSHA appear in the RECORD at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. HANSEN. I hope in the future we will have another opportunity to discuss the Dominick proposal to amend OSHA, or any of the several pending bills designed to correct the inequities in this law. I think it is unfortunate the Senate tabled the amendment during debate on the National Labor Relations Act, and I feel at some point we should face the issue of OSHA and provide the relief to employers that is so clearly deserved.

EXHIBIT 1

"AN ASININE SITUATION"—NEW JOB-SAFETY RULES PERPLEX THE OWNERS OF SMALL BUSINESSES; "NEEDLESS" COSTS CITED

(By Michael Jett)

Henry Weast of Dahinda, Ill., is quitting the heavy-excavation business. He says he can't afford it any more.

It isn't that the business wasn't profitable. It was a steady money maker, and in Mr. Weast's view, it might have continued that way for a long time. It might have, except for one thing—OSHA—more formally known as the Occupational Safety and Health Act of 1970.

Among other things, that massive piece of safety legislation would have required him to spend $150,000 to install safety devices on his equipment to protect operators in case the machinery toppled over. "It just looked like there would have been no end to spending money," says Mr. Weast. "If I had fixed up one thing, they would probably have found something else."

As a result, Mr. Weast and his two partners have already dismissed 20 employees and they are currently trying to sell their machinery. From now on, they plan to continue selling sand, gravel and other building materials, but that end of the business accounted for only about 20% of their total $1.5 million volume last year.

COSTLY AND "FOOLISH"

The reaction of Mr. Weast and his partners to the stringent new regulations may have been drastic, but their quitting the excavation business illustrates one effect the law has had on countless thinly capitalized small businessmen across the country. In a variety of ways, small businessmen say, the OSHA regulations—covering safety matters ranging from hard hats and guard rails to exit signs and safety posters—are causing widespread confusion, anger and frustration.

At the core of their problem they contend, is the fact that practically every regulation—and they brand many of them foolish—requires them to spend money on measures that don't contribute to either safety or efficiency. Moreover, they complain, many of the highly technical regulations are incomprehensible to the layman. And even if the rules can be understood, these people add, compliance is difficult. In fact, by some estimates, as many as 20,000 specific rules and regulations apply to any single work establishment.

Indeed, the sheer bulk of the regulations is intimidating, and countless businessmen say that after they have waded through them all, they're hopelessly confused. Marvin Krauss, a furniture shop owner in South Amana, Iowa, says: "There are about 300 pages with pretty small print in the construction standards, and it's pretty darned hard to pick out exactly what fits you sometimes. You almost have to have a lawyer to figure it out."

Such complaints are becoming routine for officials charged with overseeing and enforcing the act. An OSHA spokesman says, however, that "some over-reaction" is to be expected. "Most of the complaints from small business people arise not from actual inspections, but from the fear of what might happen should there be one," he says. Unless there has been an accident or a complaint by an employee, the OSHA man says, smaller concerns are much less likely to be inspected than larger firms. He adds that if a small businessman finds himself in a financial pinch as a result of the regulations, he can always apply for a Small Business Administration loan, as provided in the act.

Due in part to the confusion and lack of understanding of some of the overlapping rules, numerous small businessmen are reluctant to talk for attribution—they're worried about what might happen if an OSHA inspector should see their names and then decide to drop by. "I'd hate to meet Mr. OSHA tomorrow because of my discussion with you," says a Midwest farm-equipment dealer who has spent nearly $100,000 on new equipment and repairs to satisfy safety rules. "We'll only know if we can really comply after somebody tears us apart." Like many other businessmen, he replaced a number of round toilet seats with horseshoe-shaped ones before OSHA rescinded the toilet-seat rule.

"AN ASININE SITUATION"

According to Herbert Liebenson, legislative vice president of the National Small Business Association, many of the fears expressed by small businessmen arise "because the Labor Department has done a very poor job of notifying people what to expect under the law." In fact, many businessmen say they still don't understand how the law is administered, and they worry they will have to answer to inspectors who know almost nothing about their particular type of business.

"OSHA worries the hell out of me," says Ralph Zuber, manager of a furniture store in Amana, Iowa. "I want to comply, but I've got to keep making a living. Did you know we've even got to paint the electrical outlets orange? Why, I don't know."

Adds James Curless, an International Harvester franchiser in Fairmount, Ind.: "It becomes an asinine situation. The dangerous facets of our business are virtually beyond anyone's control. One of our employees got hurt when he bumped the automatic transmission lever on a tractor and it rolled over his leg. No laws can cover anything like that."

What angers many small businessmen the most, however, is the cost of complying with the regulations. "I spent about $250,000 for four new punch presses, to enclose a conveyor, some electrical work and other things," says the owner of a metal fabricating shop in the Southeast, "and I don't think it did any good for safety or production. The punch presses, costing $15,000 to $30,000 apiece, had to be replaced only because they were too noisy. Those machines had been declared literally unusable."

COST MAY BE HIGHER

A survey of its members by the National Association of Manufacturers shows small concerns of one to 100 employes estimate it will cost them about $33,000 each to comply with the act. But that figure may not tell the whole story. Kenneth E. Schweiger, the association's director of employe relations, says the real cost to the small businessman is probably much higher. "He doesn't know what's expected of him," says Mr. Schweiger. "Smaller business has grossly understated estimates of the cost."

Further, once the money is spent, employers still can't be sure if they're in compliance. "I spent $125,000 directly to meet the law," complains a Midwestern contractor. "And after I spent the money I was inspected three times and was fined every time for some minor violations. There's no way I can meet the letter of the law as it's written."

When it comes to spending the money, many small businessmen are faced with a dilemma—what to try to get done first and what to try to get by with. "There's no consistency from one plant to another," complains the owner of several small wood-working factories in the Midwest. "I've been fined at one plant for something that has been overlooked at another. One will come through with flying colors and another will be penalized."

Businessmen "don't know which way to jump," Mr. Curless, the Harvester dealer, says. "They try and do a little at a time and hope that when the inspectors come they won't be too severe. We asked our insurance man to come out and inspect us. He said the way interpretations of the rules change so often, he couldn't even give us a decent inspection."

"I'D PROBABLY GO HOME"

"We've got to write our own ticket," says Bruce Martin, assistant executive manager of the National Roofing Contractors Association. "You can't comply with all of it. What we did was take the construction regulations and got it boiled down to about six pages of the most important standards and told our guys to try to comply with these."

And some are going to try to get by without doing anything at all. "I'd just run myself nuts if I tried to comply," says an Illinois heating and air-conditioning contractor. "I've only got three employes, and in a small business everyone has to be a money maker and that (complying with regulations) would be a full-time job. If an inspector walks in here, I'd probably just hand him the keys and go home. It would be giving up a lot, but it's not worth the worry and frustration."

Whatever the problems the act is causing businessmen around the country, there are still some who must be delighted with the law—the safety-equipment companies. "You take a good hard look," says Mr. Liebenson of the National Small Business Association,

"and the economic benefits will go to the insurance and safety-equipment companies."

"Many problems for the small businessmen," he adds, "came about because of the sales techniques of companies selling products for OSHA regulations. They became frightened and started protesting.'

"We have spawned new enterprises in a variety of ways," George C. Guenther, former assistant labor secretary, told a House subcommittee on small businesses last June. "We would hope most of them are wholesome, but certainly there may be those whose consultative services are at less than desirable levels."

Still others may find themselves beneficiaries of the law. Many employers are going to be spending a lot of money on lawyers if they want to appeal a fine they feel was undeserved. Small businessmen almost never have a lawyer on their staffs.

W. C. Williamson, co-owner of an Atlanta roofing company, was fined $600 after an employee was killed when he fell through a hole in a one-story building the company was working on. Mr. Williamson says the man was shown the hole and told not to remove the cover unless there was a foreman present. Why he took the cover off and exactly how he fell through the hole aren't known, but Mr. Williamson thinks he did all he could to protect the man. "I'm going to spend about $2,000 to fight a $600 fine," he says, "but it's the principle of the thing. It would be the same thing if they fined me if he drove his car into a telephone pole on his way to the job."

"Its going to be a full-employment act for lawyers," says Lawrence Stessin, editor of a newsletter dealing with the OSHA regulations. It isn't going to hurt Mr. Stessin either. After sending out a sample issue last October, he was swamped with 30,000 subscriptions in one month. "We're just inundated" with requests for information and subscriptions, he says.

With all the confusion, some shady characters are bound to jump at the opportunity to take advantage of the situation. "The three latest rackets," Mr. Stessin says, are men posing as OSHA inspectors who are actually industrial spies, potential burglars figuring out a plant's security or con men who talk the owner into offering them bribes for not imposing heavy "fines."

SAFETY ACT MADE UNSAFE

(By Bruce Hanson)

The Occupational Health and Safety Act is like many things brought out by our Congressmen and Senators, a twist of the arm. Because it had safety or ecology in its title they naturally felt if they voted against it they would be voting against safety and ecology.

The fact is the law is one which larger businesses can live with but do find annoying and the small businessman gets the hardest blow. In some cases the law could make a small plant or business remodel or even go to the extent of saying it would take a new building to pass OHSA regulations.

Although designed to prevent accidents and help the worker, it has slowed industry and even closed some plants which resulted in the worker losing his job. Many plants are unsafe and need improvement but there are many operations needing only slight improvements. In both situations inspectors from the OHSA have the power to levy stiff fines on the spot and even close down plants found in violation.

The Act is a vast number of pages long and the regulations and rulings from it are said to fill a 17 foot book shelf. Larger industry has the legal staff and finances to at least attempt to interpret the regulations so they may live up to them. The smaller businesses can only ask the general advice of their trade associations and wait in constant fear of the inspectors visit.

A solution would be legislation providing for consultation between the employers and the inspectors so these regulations can be met in a reasonable amount of time. This would give the employer the chance to know what is expected of him.

THE CHARACTER OF THE MAN WHO IS OUR PRESIDENT

Mr. STEVENSON. Mr. President, today's issue of the Chicago Tribune eloquently expresses the indignation and anxiety of most Americans about the character of the man who is our President. That character has been laid bare by his own words, and, as the Tribune points out, little hope is now left for the Nation short of resignation or impeachment.

The departure of Mr. Nixon would not answer an underlying and troublesome question: what defect in our hallowed political process, its procedures, its parties, and the body politic itself, made the election of such a person possible? The debate has brought forward reform proposals, including campaign finance reform, but it has neglected the reform of the process itself by which this self-governing Nation selects its Presidential candidates. What made it possible for such a man to rise to the pinnacle of power in a nation hitherto confident that its democracy would produce the highest levels of excellence and integrity at the highest levels of Government?

This editorial should be read by every Member of the Congress but, as we take up the issue of Mr. Nixon's fitness to remain as President, we should also take up the issue of how to reform the Presidential selection process so that in the future it yields up only our wisest and our strongest.

Mr. President, I ask unanimous consent that a copy of this powerful Tribune editorial be printed in the RECORD.

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

LISTEN, MR. NIXON

We saw the public man in his first administration, and we were impressed. Now in about 300,000 words we have seen the private man, and we are appalled.

What manner of man is the Richard Nixon who emerges from the transcripts of the White House tapes?

We see a man who, in the words of his old friend and defender, Sen. Hugh Scott, took a principal role in a "shabby, immoral and disgusting performance."

The key word here is immoral. It is a lack of concern for morality, a lack of concern for high principles, a lack of commitment to the high ideals of public office that make the transcripts a sickening exposure of the man and his advisers. He is preoccupied with appearance rather than substance. His aim is to find a way to sell the idea that disreputable schemes are actually good or are defensible for some trumped-up cause.

He is humorless to the point of being inhumane. He is devious. He is vacillating. He is profane. He is willing to be led. He displays dismaying gaps in knowledge. He is suspicious of his staff. His loyalty is minimal. His greatest concern is to create a record that will save him and his administration. The high dedication to grand principles that Americans have a right to expect from a President is missing from the transcript record.

Mr. Nixon's strategy backfired when he released the transcripts. It was also a strategic error for him to release the record of his income taxes. Both stripped the man to his essential character, and that character could not stand that kind of scrutiny. Both miscalculations demonstrated an essential Nixon defect—an insensitivity to the standards of ethics and morality that Americans expect of their leaders.

He thought disclosure of the records would help him. He has had a demonstration that his countrymen are not that tolerant.

And it should be noted here that the transcripts and the income tax statement were not the fabrications of his enemies. These were self-created instruments of destruction.

His decision Tuesday to disclose no more information leaves the record as it now stands. And as it stands that record leaves no doubt that he lacks the qualities that could edify and inspire his countrymen with confidence in these difficult times.

The statement of his counsel, James St. Clair, that the President is ready for a confrontation with Congress and his own special prosecutor is ominous.

The balance among the coordinate branches of our government—Executive, Judicial and Legislative—is fragile. It has been established on rather comfortably loose terms by nearly 200 years of experience in practicing the special virtues of American government.

The limits of executive privilege, of congressional power, of judicial authority are not rigidly fixed. We would not relish the prospect of forcing the Supreme Court to make hard decisions in the distorting heat of partisan controversy. This is one confrontation this country does not need and we pray Mr. Nixon will not insist on it.

The President is right in urging a quick end to the Watergate affair. His country needs a swift and merciful termination of this agony.

Two roads are open. One is resignation. The other is impeachment. Both are legitimate and would satisfy the need to observe due process.

THE TWO CHOICES

Resignation of the President would be quick and simple and a qualified successor stands ready to assume office.

Impeachment is the judicial process prescribed by the Constitution for removing a President. The House can, and probably will, vote a bill of impeachment quickly. A trial in the Senate would be, and indeed should be, long and deliberate. No suggestions of haste or mob justice could be tolerated. The White House could be expected to seize every opportunity for challenge and delay, and the final outcome might be two years in coming.

The objection to resignation that has been raised—and we have raised it ourselves—is that it would not resolve the issues. It would not answer many of the questions about the President's behavior and degree of complicity. It would leave at least a suspicion that the President had been persecuted instead of properly prosecuted out of office. To some he might remain a martyr. To many it would seem a miscarriage of justice, an example of political exorcism.

The transcripts have changed all that. Tho they may clear Mr. Nixon of direct complicity in the Watergate burglary and the early stages of the coverup, nobody of sound mind can read them and continue to think that Mr. Nixon has upheld the standards and dignity of the Presidency which he proclaimed himself as a candidate in 1960. He hoped that, if elected, a mother or father would be able to "look at the man in the White

House . . . and say, 'Well, there is a man who maintains the kind of standards personally that I would like my child to follow."

We do not share the White House belief that impeachment requires evidence of a specific crime. We believe a President may be removed simply for failing to do his job, or for discrediting himself that he loses public respect and, with it, his ability to govern effectively.

It is true that this vagueness may tempt opponents to seek to remove a President for political or otherwise inadequate reasons, as they did with Andrew Johnson. But that risk must be accepted. The ultimate arbiter in this matter must be the public, and the public reaction today is clearly one of revulsion. Republican politicians are defecting in droves. The evidence against Mr. Nixon is in his own words, made public at his own direction. There can no longer be a charge that he was railroaded out of office by vengeful Democrats or a hostile press. The fundamental questions have been answered. Filling in the gaps in the transcrips can only make the case against the President stronger.

And so the objections to resignation have largely vanished.

Since the President has rejected this course, we urge the House to act quickly on a bill of impeachment. As the impeachment process progresses, as public opinion becomes clear, and as Mr. Nixon sees support dwindling in the Senate, he will have to reconsider his stand and recognize that resignation will spare the country the ordeal of a trial.

AND THE COST OF INACTION

There are three urgent reasons for turning the reins of government over to a new President who can concentrate on his job, and for doing so quickly.

First, without decisive leadership in either foreign or domestic matters, the country will drift along aimlessly during one of the most critical periods of history. In country after country, governments are being toppled and threatened because of popular frustration over inflation, hunger, the energy shortage, and the apparent inability of governments to deal with them. It would be a tragedy for the richest and most powerful country in the world to stagger along, immobile, during such a period.

Second, Mr. Nixon has become a liability to his political party as well as to the Republic. The longer he remains in office as a symbol of Watergate and all it stands for, the more likely it is that the Republican Party will be incapacitated for years to come. The health of our two-party system depends on separating the Republican Party from the evils of Watergate and the character of the President.

Third, it is equally important for the future of the Presidency itself that it be separated from the man who now holds it. We must return to the day when people can shiver with pride instead of shudder with embarrassment when they see the flag or hear "Hail to the Chief." Many of the prerogatives of the Presidency are essential to the country, including secrecy when properly justified for reasons of national security or executive privilege. These principles have been prostituted in order to preserve Mr. Nixon himself and those around him. The longer this goes on, the more likely these prerogatives are to be forfeited—in the public mind if not by act of Congress.

It is saddening and hard to believe that for the first time in our history, it is better that the President leave office than to fight to keep it. But things have reached such a state that Mr. Nixon's departure, one way or another, is the best course for the Presidency, the country, and the free world. To perpetuate a state of confrontation between the Executive and Congress—in order to define the limits of power which are probably better undefined—will be tragically costly in the eyes of history and the world.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. PACKWOOD. Mr. President, the Senate will soon be considering a bill to provide for U.S. participation in the fourth replenishment of the International Development Association—IDA—the multilateral lending agency which helps the least developed nations improve their economies, and hopefully bring millions of people above the starvation level.

Many countries in West Africa and Asia are facing severe problems, because of drought, rising populations, and inadequate access to technology. IDA is one agency which has helped alleviate these problems by providing development finance and technical assistance on realistic terms for these poverty-stricken nations. Yet despite gains made in the past few years, these countries in the ensuing months may find themselves in desperate straits. Progress painstakingly pieced together over hard, lean years, may be lost unless we continue the work of IDA to afford these nations the vital support needed for their minimum sustenance.

Today, the countries of which I speak are populated by 800 million people; 25 percent of the children die before their 5th birthday; 40 percent remain illiterate; and the average lifespan is 32 years. Amazingly, the situation has been worse, but what I find particularly disturbing is the fact that because of increased pressures from rising fuel prices and raw materials, along with currency fluctuation, bare survival may again be outpriced for these countries. This has become the nemesis for poor nations; what progress they have been able to attain may be jeopardized by circumstances over which they have no control—in this case, a worldwide inflation.

The problem, Mr. President, is that at this moment, when these nations obviously need continued support, the United States is considering withdrawing from further sharing in the IDA replenishment. Without U.S. participation in IDA, none of the other donor countries are obligated too. In a word, collapse would be imminent for IDA.

Of course, this connotes grave ramifications for those countries receiving aid, but I would like to relate a peripheral consequence, perhaps escaping the attention of my colleagues. Israel in good faith has joined as a donor country to IDA. Importantly, this signifies a willingness by that country to participate in a regional reconstruction effort in the Middle East; for many of Israel's neighbors who are not oil rich qualify for IDA credits. Egypt, for example, recently received credit from IDA to help fight the dread bilharzia disease which has infected people living along the stagnant tributaries of the Nile River, and thus lessening the agricultural productivity of that fertile valley.

In light of all of this, Mr. President—in light of the extreme importance of this aid to countries in grave economic danger, in light of the opportunity for Israel to additionally demonstrate its belief in a viable peace in the Middle East—the United States is casting a great shadow on the future of IDA, and threatens to snuff out the light altogether. On January 25, 1974, the House of Representatives voted down, 248 to 156, a $1.5 billion U.S. contribution to the fourth replenishment of the IDA. In reflection, the House voted on the measure during admittedly adverse times. The United States was in the worst throes of the energy crisis, and suspicion was rife over motives of third world and OPEC countries.

However, since that vote of nearly 4 months ago, misunderstandings have largely been corrected and additional facts have been brought to bear. Last March, then-Secretary of the Treasury George P. Schultz testified that U.S. participation in the replenishment was more favorable than at other times, because, first, the U.S. contribution has been reduced from 40 to 33 per cent; second, the U.S. portion amounting to $1.5 billion would be paid over 4 years rather than the 3 years of past replenishments; and third, U.S. participation in IDA represents 0.003 per cent of our total GNP and 0.01 percent of our total budget. Using the percentage of GNP as a basis of comparison, the United States ranks 14th among the 16 principal donor nations.

Surely, House action was a temporary aberration in the consistent support of the International Development Association. Fortunately, the Senate in its consideration of S. 2665 will soon be able to correct this oversight. Approval of this legislation would again affirm the U.S. belief that international economic cooperation, especially between the rich and the poor, is essential not only if we are to fulfill the promise of prosperity but, if we are to establish a permanent peace as well.

Mr. President, I recently received a letter from the American Jewish Committee, a group which is representative of a broad-based segment of the Jewish community in the United States, further expressing support for the funding of IDA. I ask unanimous consent that this letter be printed in the RECORD.

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

THE AMERICAN JEWISH COMMITTEE,
Washington, D.C., April 22, 1974.

HON. BOB PACKWOOD,
New Senate Office,
Washington, D.C

DEAR SENATOR: The Senate will soon be given an opportunity to correct a most unfortunate situation. I refer to the failure of the House of Representatives to approve the funds requested for the International Development Association. That action was as surprising as it was shocking. Secretary Kissinger's recent speech to the special U.N. session on development must now be followed by concrete actions. None is more important than U.S. adherence to commitments to IDA support.

America is faced with many problems, what with inflation and shortages and fear of recession. But none of this can exempt us from moral responsibility to help the poorest nations of the world meet their daily threats of famine and disease.

An overwhelming Senate approval for IDA funds will, hopefully, encourage the House

to reconsider its recent action. I hope you will join in that Senate approval.

Sincerely,

HYMAN BOOKBINDER,
Washington Representative.

GOV. JOHN A. BURNS OF HAWAII

Mr. INOUYE. Mr. President, I wish to share with my colleagues, Gov. John A. Burns' message of love, gratitude and farewell to the legislature and people of Hawaii. During Governor Burns' tenure in the Congress as the Delegate from Hawaii, he made many friends among Members of both Houses, many of whom are still Members, gaining their respect through his sense of dedication, honesty and true concern for the people he served. John A. Burns returned to Hawaii to serve as my State's second Governor. He is now completing his third and last term.

The years under his stewardship have been most fruitful and productive ones, truly justifying the wisdom of Congress in granting Hawaii Statehood. Governor Burns' leadership in achieving congressional support for Hawaiian Statehood has been fully justified by Hawaii's subsequent achievements under his great leadership.

Governor Burns' announced retirement is not only a loss to the State of Hawaii but to the Nation as a whole. In this age of turmoil when the integrity, independence and commitment of public servants is so often a question, the governmental life and times of John A. Burns serves as a reminder that, with courage, dedication and concern for one's fellowman, governmental officials can be deserving of a people's tribute through their exemplary leadership as they contribute to the health and well-being of our Nation.

I know my colleagues will join with me in wishing Governor Burns continued happiness. I am pleased to share with you his farewell address to the people of Hawaii, and ask unanimous consent that it be printed in the RECORD.

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

REMARKS OF GOVERNOR JOHN A. BURNS

A MESSAGE OF MAHALO AND ALOHA

Mr. Speaker, Mr. President, Honorable Members of the House and of the Senate, Mr. Lt. Governor, Mr. Chief Justice, distinguished guests, my fellow citizens:

It is with a mixture of joy and sadness that I approach this occasion, in joining you as another memorable session of our Legislature comes to a close. I deeply appreciate the opportunity you have presented me to use this forum for a special message—a message of Mahalo and Aloha.

A full measure of joy fills my heart in the knowledge that we have shared for many years an intimate working relationship and mutual respect in our common endeavors to attain those goals and objectives for which the people of Hawaii have expressed a desire. No words can express the warmth of the bond I share with you.

On the other hand, I am saddened in the thought that this is likely to be the last opportunity I will have for joining with you in a communion of spirit and dedication in behalf of the people we represent. I shall miss the comradeship we have shared for so long.

In looking back over our association, however, I see no cause for any real regrets. The years past have been fruitful and productive. The decisions arrived at here in these halls have enriched the lives of all the people of this State. Notwithstanding the ever-present second-guessers and critics, you have every right to be proud of the consequences of your deliberations in shaping public policy, as is your responsibility.

As that great American, Governor Al Smith, once said: "Let's look at the record!" The record you have constructed is an outstanding record, indeed. Each of you and your predecessors can take justifiable pride in a decade of solid and meaningful progress. Our educational, social, economic and political institutions are no longer accessible only to a select class of people. They have flourished so that equal opportunity for advancement is open to all who have the initiative to develop themselves and to use their God-given talents and abilities.

The record to which you have contributed is an outstanding one because we have had outstanding men and women participate in the making of this record. It is yours to claim as a measure of your own success in public service.

Whatever the achievements of this Administration and of the Executive, such attainments are not to the personal credit of Jack Burns. As Governor, I have only been the instrument through which the hopes and aspirations of our people have been expressed. As Governor, it has been my duty to execute those policies and programs which you of the Legislature have adopted for the sake of Hawaii's people and for their continued advancement. That I personally share your commitment to public progress has only made my responsibilities all the more pleasant and welcome a task.

The co-equality of the Executive and Legislative branches of government, as well as the Judiciary, is a principle to be respected and honored if our system is to endure.

The improvements we seek are incremental; they do not flower overnight. They are attained through diligent pursuit of the common good. Thus, hope and optimism are essential in bringing about change for the better. We erode the human spirit and human initiative by endless negativism and a constant rhetoric of despair; we destroy them entirely by succumbing to dictatorial fiat.

The many achievements in which we share have been the product of a continuing spirit of cooperation, and I am grateful for the opportunity you have given me to work in concert with you of the Legislature.

Looking back now over the years of the Administration and trying to summarize all my thoughts and emotions about Hawaii, I return again and again to one decision of our State Legislature that is symbolic of all that Hawaii is and wants to be. This was your decision a few years ago to designate Kamehameha the Great and Father Damien of Molokai as worthy representatives of these Islands for enshrinement in our Nation's Capitol.

In one, you chose a noble Polynesian alii, gifted in leadership in war and in peace, a contemporary of George Washington and a representative of the deepest ethnic and cultural roots of our mid-Pacific Island society.

In the other, you selected an alien from a foreign land, a missionary teacher and a voluntary servant of the poorest and most neglected of the Hawaiian people.

In this action, Hawaii's Legislature demonstrated its greatness and its deep understanding of our history, our culture, our people, our ideals, our yearnings and our aspirations.

Kamehameha and Damien tell the whole story of Hawaii. They stand as shining inspirations. They have taught us that leadership means service to others.

For me, it has been a rare privilege to be in public service during a period so vital and formative in our State's young history. You have made these years exciting and dynamic, and I would be tempted to savor more of the future with you. But, in the words of Ecclesiastes, "For everything there is a season and a time for every matter under heaven."

God willing, I will, of course, serve out the final months of this, my third and last term as your Governor. I shall do so in the same spirit which has guided my actions from the time I first took office on December 3rd, 1962.

We still have some eight months ahead of us to continue with the work of this Administration and to implement those laws you will adopt in this session. I want to assure you that my decision to retire later in no way means we will be a "caretaker government" for the balance of this term.

On the contrary, we will approach our executive responsibilities, as we have in the past, with our total energies and resources. We will continue to apply the full range of our imagination, our initiative and our industry in carrying out those policies that you determine through this forum.

I want to further assure you that my doors will always remain open to you for consultation and discussion on matters of mutual concern. It is through this interchange, by working together cooperatively, that we have attained our progress to date, and I look forward to meeting with you in the months remaining.

At the time of the death of one of our Nation's greatest leaders, Walter Lippmann observed, in writing of President Franklin D. Roosevelt: "The final test of a leader is that he leaves behind him in other men the conviction and the will to carry on."

I mean no self-serving intent in citing this observation. I repeat it only to remind you of your own future challenges.

In my maiden address before Congress as your Delegate in 1957, I called attention to the desire of Hawaii's people for equal treatment under the laws of our Nation, and of their deep-seated hopes to shape their own destiny. I further suggested that the people of Hawaii, by virtue of their harmonious understanding of the cultures of both East and West, had much to offer the Nation as citizens of a sovereign state.

That this has been proven true, that Hawaii is regarded and envied as the dream of all other societies, is my proudest claim to any degree to prophecy.

Indeed we are one people. We are one people, we are one State. Therein lies the secret to our successes.

And there are in these very halls, as there are among the thousands of young men and women on our university and community college campuses and in classrooms from Hanalei to South Point, any number of individuals who possess the potential for greatness and for future leadership in our State, for service in the tradition of Kamehameha and Damien.

Let us never forget that in human endeavor nothing is beyond reach.

Your own understanding record provides motivation for each of you to continue striving for ever higher goals, to continue dreaming the impossible dream, to pursue what is unattainable today and to make it tomorrow's reality.

Mindful of your capabilities, your dedication and your resolve, I am comforted in my conviction that, whatever the future holds, you of Hawaii's Legislature, the finest in the Nation, can successfully meet any challenge, with honor and with integrity.

With no regrets, with an unclouded conscience, and with the knowledge that we have done our best within our limited abilities, I shall leave this office in due time; I shall leave enriched with countless new and cherished friendships, with nothing but warm memories of years of mutual toil toward

noble ends, and with a deep and abiding love for the people in whose cause we have sought a life of public service.

To each of you, I extend my very best wishes for continued success, Mahalo, Aloha and God bless you all.

WOMEN'S RIGHTS

Mr. BROCK. Mr. President, the issue of women's rights is an important subject which affects all of us. The issue seems to have taken a back seat, however, to other outstanding news events. This is not to say that progress in this area has ceased. On the contrary, due to the tireless efforts of many remarkable women, traditional attitudes and ideas concerning women's place in our society are changing and new paths and lifestyles have been made available to them.

Women are now rightly taking advantage of such opportunities and proving their parity in the world of business to the advantage of all of us. This progress is shown in an article in the Wall Street Journal of April 15, 1974, which contains several examples of women's participation in the business world.

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

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

FOR SOME FEMINISTS, OWNING A BUSINESS IS REAL LIBERATION—WOMEN'S MOVEMENT SPURS FEMALE ENTREPRENEURSHIP; POLITICS AND PROFITS MIX

(By Bill Hieronymus)

The hiring practices at Diana Press Inc. are downright discriminatory, and co-founder Coletta Reid doesn't care who knows it. "Men don't touch any job that we do," she boasts. "Our goal is to help other women."

A Baltimore-based publishing and printing concern owned and operated by women, Diana Press not only shows male job applicants the door, it refuses to accept male customers. (Its owners say they have more business than they can handle from women.) The company's avowed aim—besides making a profit—is to promote the feminist cause and bring more women into business at all levels.

As such, Diana Press has much in common with a host of new feminist businesses that have come into being since the women's liberation movement began to gather steam in the late 1960s. These companies range from personnel-placement and management-counseling services to manufacturing concerns turning out everything from male-chauvinist-pig pincushions to aprons for women who hate housework.

THE NEW IMMIGRANTS?

Precise statistics on the number of companies founded or acquired by female entrepreneurs aren't available. But their ranks are swelling. "The New Women's Survival Catalog," a recently published directory of firms serving the feminist market, lists more than 500 such companies. The Center for Venture Management, a nonprofit Milwaukee organization that studies small businesses, reports a sudden surge in the number of women attending its seminars on how to start a business. "It used to be there were only wives with their husbands," says director John Komives. "Now they're women on their own." Generally small in size, the new feminist businesses are scattered from coast to coast and exist mainly by buying and selling to one another.

"What we're seeing is the first step in an evolutionary process," says Lawrence C. Hackamack, a small-business specialist at Northern Illinois University in De Kalb, Ill., who compares the businesswomen to earlier generations of immigrants starting out in American society. "Like the Italians and Greeks, the women are selling first just to their own people," he says. As they get more experience, he predicts, they will follow historical precedent and expand into more extensive markets.

According to observers like Prof. Hackamack, the rising number of female-owned businesses reflects the degree of cynicism many women feel about their chances for success in conventional male-dominated corporations. Indeed, many of the feminist entrepreneurs say the main reason they cut loose from traditional jobs was a belief that they were being barred from advancement because of their sex. "Basically, we found that we couldn't get anywhere as women," says Stephanie L. Marcus, who teamed up with Rose Fontanella, another commercial artist, to found Liberation Enterprises, a Brooklyn, N.Y. novelty concern.

LEADING THE PACK

Though few of the companies with a niche in the feminist economy are making it big, some are well on the way. The most visible of these successful enterprises is Ms. magazine, a monthly serving as advertising medium, market research arm and cheering section for the women's movement. Ms. had a head start, being better capitalized than perhaps any other firm in the feminist market. In addition to a number of individual investors, Warner Communications Inc., New York, agreed to invest up to $1 million in Ms. in return for a 25% ownership. Actually, Ms. needed only about half that much before becoming profitable. Patricia Carbine, publisher and editor-in-chief, says Ms. became profitable less than a year after the first issue appeared in mid-1972. Since then, profits have been steadily improving, she says, although she declines to give specific figures.

Flush with success, Ms. officials are planning a series of new projects to boost profits further. A new division is being created to make the magazine's expertise in the feminist market available for a fee to other concerns. In addition, Ms. is sounding out insurance companies about possibly offering policies to readers. And, it is considering a joint venture in the toy business, a movie and a radio show.

Ms. has such influence among feminists that an ad placed in it or a passing mention in an article is enough to produce a financial windfall for small companies. Liberation Enterprises was limping along until an article appeared in Ms. describing how it was founded. Besides producing an avalanche of orders, the article prompted a flood of fan mail from women who had been inspired to start their own businesses. Pat Windle, co-owner of Those Uppity Women, a jewelry concern in Indialantic, Fla., says "Right around the time of the month that Ms. comes out, our business surges up to $300 a day for about a week." Normally, she says, the company's sales run around $75 to $80 a day.

What sets many of the feminist concerns apart from conventional businesses is their dedication to politics as well as profits. "We feel very strongly that we're serving the women's movement," declares Stephanie L. Marcus of Liberation Enterprises.

Scores of the newly formed businesses are supporting the movement with more than just good intentions. Editors of the fast-selling "New Woman's Survival Catalog," for instance, have pledged a minimum of 20% of the book's royalties to the feminist cause. Similarly, Those Uppity Women promises in its ads to plow back 10% of its profits to women's rights groups.

Strong commitment to the principles of women's liberation lead feminist enterprises to seek out the services of other such concerns. For example, many feminist businesses plan to use First Women's Bank and Trust Co., a New York bank organized by women that recently won preliminary approval from state regulatory authorities. "We plan to give women the kind of credit they would get if they were men," says Sarah Kovner, one of the organizers. "Credit won't necessarily be any easier, it will just be credit like men can get at other banks," she says. The stick-together philosophy motivated Lammas Arts & Crafts, a Washington, D.C., concern run by women, to hire a feminist accountant and a feminist lawyer. And, while New Feminist Talent Associates, a New York speakers bureau, hasn't had much luck interesting big companies in its roster of specialists in the women's movement, it is doing big business on campuses and before women's groups.

Typically, feminist companies are more willing than conventional businesses to experiment with new, looser work patterns and organizational structures. Many are making a deliberate effort to break away from what they view as oppressive hierarchies existing in conventional companies. "The male is losing some of his human dignity" in traditional organizations, asserts Judith Meuli, who left a job as a technician at the University of California's Medical Center in Los Angeles to start selling jewelry, graphics and other feminist products. "The women I've talked to want to start their businesses . . . without losing some of their humanness," she says.

Anne Pride, a member of Know Inc., a Pittsburgh publishing concern, says, "We work as a collective and don't have any titles." In Washington, Carol Burris, a founder of Women's Lobby Inc., a firm formed to represent women's interests on Capitol Hill, says: "We're trying not to set up a male type of hierarchy where some women do all the interesting work and others do all the . . . work."

In practice, hang-loose work patterns tend to tighten up as a business expands and begins to confront thorny problems demanding the expertise of specialists. Know Inc. learned this lesson the hard way. After discovering that one member of the collective was engaged in old-fashioned embezzlement, it turned over its financial matters to a professional accounting firm.

MINNESOTA CONTRIBUTES TO THIRD ANNIVERSARY OF NATIONAL PUBLIC RADIO

Mr. HUMPHREY. Mr. President, Minnesotans long have been proud of the Minnesota Opera Co., and now the rest of the country will have the opportunity to learn why.

National Public Radio, the network of 164 noncommercial radio stations across the Nation, has received an assistance grant from the National Endowment for the Arts to record and distribute three performances of the Minnesota Opera Co. The high quality of the recording, which public radio listeners have come to expect, certainly will preserve the excellence of Minnesota Opera when it is heard nationwide.

On this occasion of National Public Radio's third anniversary, I would like to point out that the young network has made an excellent track record for itself. Public radio across this country is about as diversified as the country itself. NPR's role is to lend cohesion to the system of stations existing without commercial funds.

I particularly want to comment upon

NPR's insight in recognizing and even rejoicing in American diversity, and reflecting all the variations on the common theme of humanity in its daily program "All Things Considered . . ." Oliver Towne, columnist for the St. Paul Dispatch, said it best in an article of April 11, 1974.

Mr. Towne's observations of the input from Minnesota into this daily program heard nationwide also apply to other States. But we in Minnesota are proud of our contribution.

Public radio finds solid support from the citizens of Minnesota. The stations referred to in Mr. Towne's column include the growing Minnesota Educational Radio—MER—network, a strong and effective organization which just recently raised $88,000 in public donations for its stations and increased its membership to 8,100. Among the services offered by MER is "The Radio Talking Book," programing designed for a blind audience which is broadcast on an FM subchannel simultaneously with main-channel broadcasting by MER stations for a general audience.

In Minneapolis-St. Paul, KSJN–FM facilities include a specially funded news and public affairs production center; consequently, its contribution to public radio programing is substantial. With other stations in the State, public radio offers Minnesotans different and stimulating listening.

Minnesota, as other States, can recognize the assistance it lends to making public radio a viable force in the United States. And the interconnected network of National Public Radio is to be commended for its 3 years of leadership in noncommercial radio broadcasting.

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

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

[From the St. Paul Dispatch, Apr. 11, 1974]

NOW A WORD . . . !

(By Oliver Towne)

Driving home last week on the day after tornadoes whirled through mid-America, I was listening to the details in a radio news broadcast, filled with word pictures of death and devastation.

Suddenly there was a break for the commercial—a gent with an insipid, fake "Park Avenue-ish" voice pitching for a certain brand of Vermouth.

Talk about a credibility gap.

They do it all the time. The newscaster is giving out with the world-shaking events in stentorian tones and, presto, there comes that 30 or 60 seconds of touting some perfume or motor oil or deodorant.

"The sky just fell down folks, and we'll have all the details, but first a word from your friendly brewer."

There are recourses. You simply can shut off the radio or, at the right time of day, tune in to any of the National Public Radio Stations—KUOM, WCAL–FM and KSJN–FM, for their own newscasts or "All Things Considered," which is a complete and in depth hour and a half recital of what's happening in the world. And without a single misplaced commercial. In fact, no commercials at all and no announcers trying to become legends, heroes or personalities.

Odd as it may seem for a newspaperman to speak up for another media. "All Things Considered" is my favorite news gap filler between the Dispatch and Pioneer Press.

You can start picking this program up on the air at 4 p.m. and it runs through 5:30 p.m. on KUOM and WCAL–FM. KSJN broadcasts the same program a half hour or so later.

This is no capsule news digest. It roams the country, bringing in-depth coverage of every big news story. On the day after the tornadoes, no less than eight affiliated NPR stations were called in for on-the-scene descriptions.

When newsmakers appear at the National Press Club in Washington, you get them live on microphone with substantial excerpts.

There are, as a matter of fact, some personalities reaching quality status. KSJN's Kevin McKiernan ought to get an award for his coverage of the Wounded Knee trial.

His scoop was a long "rap" session with Judge Fred Nichol, presiding judge, whose remarks about law and justice were worth recording.

McKiernan's taped interview was re-broadcast on the National Public Radio network, as are many items originating in the KSJN studios in Park Square Court overlooking Smith Park.

Humorous satire by Dudley Riggs Espresso Coffee-house players in Minneapolis are regular vignettes on the network shows.

The voice of the late Mahon (Roy) Thomas, St. Paul police officer and beat patrolman at Ninth and St. Peter, was heard by National Public Radio audiences across the country in a series about what policemen really feel about their jobs, the public, crime and lawbreakers.

During the late energy crisis, "All Things Considered" made it a daily habit of checking gasoline shortages with on-the-spot interviews at four or five locations around the nation. You got the stories from the mouths of filling station operators, motorists waiting in line, oil-company executives, suppliers.

Very little is packaged. I call it candid radio.

You can hear Vice President Ford in an off-cuff discussion of some major issue, and a cosmetic company research scientist explaining his reaction to claims that a propellant in one of his firm's aerosol cans may cause cancer if inhaled for a prolonged time.

And you're not going to get the latest bulletin on the Patricia Hearst story, interrupted by a commercial for toilet paper, written by some ad man who doesn't know some people still think about what they hear.

NATIONAL HISTORIC PRESERVATION WEEK—PART IV

Mr. BEALL. Mr. President, during my remarks yesterday in observance of National Historic Preservation Week, I discussed the favorable comment S. 2347, the Historic Structures Tax Act, has received from a number of historic preservation organizations and various State and local officials. Today I intend to address myself to the favorable comment the cause of historic preservation has received on the Federal level. I will specifically introduce material into the RECORD regarding the reaction of specific Federal agencies to the Historic Structures Tax Act.

Mr. President, before proceeding with my discussion of this bill, I ask unanimous consent that a section-by-section analysis of S. 2347 be printed in the RECORD at this point in the statement.

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

EXHIBIT 1

THE PROPOSED HISTORICAL STRUCTURES TAX ACT—SECTION-BY-SECTION ANALYSIS

TITLE I—SHORT TITLE

Title I labels the Act as the Historical Structures Tax Act of 1973 and specifies that all amendments contained in the Act are amendments to the Internal Revenue Code.

TITLE II—PRESERVATION AND REHABILITATION OF HISTORIC STRUCTURES

Title II contains provisions intended to encourage preservation of historic buildings and structures certified by the Secretary of the Interior as registered or qualified for registration on the National Registry. In addition, the Bill limits depreciation to the straight-line method in the case of buildings constructed on sites which were formerly occupied by demolished historic structures.

Section 201

Section 201 adds a new section 189 to the Code, permitting a 5-year write-off of rehabilitation expenditures incurred with respect to historic structures which are used in the taxpayer's trade or business or held for this production of income provided that property acquired in connection with such expenditure is otherwise eligible for the depreciation allowance.

On the disposition of a certified historic structure, gain would be treated as ordinary income to the extent that the special write-off provided under this section exceeded the depreciation deduction which would have otherwise been allowable (without regard to this provision). This section would apply with respect to all expenditures made after February 15, 1973.

Section 202

Section 202 would add a new section to the Code providing that no deduction would be allowed for amounts expended in the demolition of a registered historic structure, or for the undepreciated cost of such a structure. Both items would have to be allocated to the basis of the land. The section would apply to all demolitions occurring after the date of enactment.

TITLE III—REHABILITATION OF OTHER PROPERTY

Section 301

Section 301 would add a new subsection (o) to the general depreciation rules of section 167. Under this new provision, if a taxpayer substantially rehabilitated depreciable property, he would be permitted to elect to compute depreciation with respect to his pre-existing basis in the building as though the entire structure was first placed in service by him. This will permit a taxpayer who purchases a used building and rehabilitates it to utilize so-called accelerated methods of depreciation, a privilege which is not now accorded taxpayers under the law.

In order to qualify for this special treatment, the amounts added to capital account during a 24 month period must be at least $5,000 in amount and must be greater than the undepreciated cost of the property, determined at the beginning of the 24 month period. The provision is effective with respect to such expenditures incurred after June 30, 1973.

TITLE IV—CHARITABLE TRANSFERS FOR CONSERVATION PURPOSES

Title IV provides several amendments to the charitable contribution provisions in section 170 of the Code, the effect of which is to permit a charitable contribution deduction for certain types of transfers which are not presently allowed under the law. Specifically, section 401(a) provides that a charitable deduction will not be denied on the transfer of a partial interest in property, where the interest is either an easement of 15 or more years duration granted exclusively for conservation purposes, or is a remainer interest in real property which is granted exclusively for conservation purposes. "Con-

servation purposes" mean the preservation of open land areas for public outdoor recreation or education, or scenic enjoyment; the preservation of historically important land areas or structures; or the protection of natural environmental systems.

These amendments would apply with respect to contributions made after February 15, 1973.

Mr. BEALL. Mr. President, this proposal would harness the constructive aspects of our Federal tax system so as to preserve historically significant buildings, encourage the rehabilitation rather than the demolition of older buildings in our urban centers, and increase the development of additional open spaces for public use. The Historic Structures Tax Act is a modified version of legislation that has received the strong support of the President and the Secretary of the Treasury, former Secretary Shultz, in a letter to the President of the Senate dated February 19, 1973, stated that—

The bill would . . . encourage greater rehabilitation, rather than demolition, of older buildings in our urban areas. The legislation is similarly designed to make restoration of historic structures more appealing to private investors. Finally, the bill modified certain restrictions on the deductibility of charitable gifts of partial interest in land to be used for conservation purposes.

Although I have modified the legislation originally transmitted to the Senate by former Secretary Shultz, I believe that I have preserved three of the major substantive initiatives contained in the draft bill, and I am confident that the legislation I am sending to the desk today is completely compatible with the program of the President and will receive the administration's enthusiastic support.

In his state of the Union address, President Nixon referred to historic preservation by saying that "we have an irreplaceable historic and architectural heritage." The President went on to say that he had proposed legislation "to discourage the demolition of historic structures and to encourage their rehabilitation." In a letter dated October 17, 1973, Mr. Dana G. Mead, Associate Director of the Domestic Council, reinforced the President's interest in this legislation by stating that "we have no objection to your legislation and would support S. 2347." Mr. President, I ask unanimous consent that Mr. Mead's letter be printed in its entirety at the conclusion of my remarks.

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

(See exhibit 2.)

Mr. BEALL. Mr. President, the commitment of President Nixon and Secretary of the Interior Morton to the cause of historic preservation can also be seen in recent budget figures. In 1969 only $100,000 was appropriated for the grant-in-aid program for historic preservation which is administered by the Department of the Interior. That rose to $11.5 million in fiscal year 1974 and the President has requested $20 million—the full amount authorized—in fiscal year 1975. This budget increase is nothing short of astronomical but it still does not come close to what is needed to preserve our heritage. To meet the need, we must mobilize private funds and to mobilize private funds we must revamp our tax laws so as to negate certain existing tax incentives to demolish existing structures and replace them with positive incentives to encourage rehabilitation and restoration. This is exactly what S. 2347 is designed to do and that is why I am so deeply committed to its enactment.

Mr. President, shortly after introducing S. 2347, I wrote to each member of the National Advisory Council on Historic Preservation relative to this legislation. Many Cabinet members and heads of Federal agencies serve on this Council and I was pleased to receive favorable reports from most of them. The Honorable Claude S. Brinegar, Secretary of Transportation stated that—

This Department has followed the legislative history of the Administration's environmental proposals with considerable interest. We believe that these proposals could provide a much needed financial incentive for increased environmental concern at the same time that they would eliminate certain loopholes in our current tax structure which have acted as deterrents to the preservation of historic structures. . . .

The Assistant Secretary of the Treasury, Frederic W. Hickman, noted that—

This bill would help . . . encourage greater rehabilitation, rather than demolition, of older buildings in urban areas; make restoration of historic structures more appealing to private investors and encourage charitable gifts of partial interests in land to be used for conservation purposes. The encouragement of rehabilitation in urban areas, the preservation of historically significant buildings and increased dedication of open space for public use are essential goals which will enhance our environment.

Mr. Kenneth M. Brown, legislative counsel to the Department of the Interior, in a letter dated November 5, 1973, said:

The President, in his State of the Union Message on Natural Resources and the Environment of February 15, 1973, called for revision of our tax laws to encourage rehabilitation of older buildings. S. 2347 would help to implement this policy by providing tax benefits and disincentives to encourage rehabilitation of certain historic structures. It would also provide tax benefits for certain transfers for conservation purposes.

We strongly support the historic preservation provisions of S. 2347, as well as the provisions allowing charitable deductions for certain transfers for conservation purposes.

Mr. President, I received other correspondence from the Departments of Agriculture and Commerce, the General Services Administration, and so forth. I also ask unanimous consent that the texts of these selected letters be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 3.)

Mr. BEALL. Mr. President, I believe that the Historic Structures Tax Act coincides with our national objectives as expressed by the President as well as the Congress. We can strengthen our sense of national unity and purpose, preserve our history, reinvigorate our communities, and make additional open spaces available for the use of our people by constructively utilizing our Federal tax system. This bill is not punitive in nature, but seeks to encourage through the constructive use of our tax system the long-range and highly desirable social goals which we, as a Congress, have set for our Nation.

In closing Mr. President, I would once again urge the Senate Finance Committee to hold hearings on S. 2347 so that we can begin to move this vital legislation through the legislative process. If the Finance Committee would expedite consideration of this bill I believe it would be possible to include its provisions in any tax reform legislation which might come before the 2d session of the 93d Congress.

EXHIBIT 2

THE WHITE HOUSE,
Washington, October 17, 1973.

Hon. J. GLENN BEALL, Jr.,
U.S. Senate, Washington, D.C.

DEAR SENATOR: Thank you for your recent letter concerning the Historical Structures Tax Act of 1973. I appreciate your bringing this legislation to my attention.

As you know, on February 19th of this year, Secretary Shultz resubmitted to the Congress the Environmental Protection Tax Act. This legislation was introduced on March 14 by Congressman Conable as H.R. 5584. Your bill and H.R. 5584 are quite similar, differing only in the provision dealing with coastal wetland areas, and while we would prefer to see the enactment of H.R. 5584, we have no objection to your legislation and would support S. 2347.

Thank you again for your letter.

Best personal regards.

Sincerely,

DANA G. MEAD,
Associate Director, Domestic Council.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., January 2, 1974.

Hon. J. GLENN BEALL,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BEALL: This is in reply to your request of October 5, 1973, for a report on S. 2347, a bill "To amend the Internal Revenue Code of 1954 to encourage the preservation and rehabilitation of historic buildings and structures and the rehabilitation of other property, and for other purposes."

The bill, Title I, cites the Act as the Historic Structures Tax Act of 1973. Title II encourages the preservation of historic buildings and structures certified by the Secretary of the Interior as registered or qualified for registration on the National Registry, and limits depreciation to the straight-line method for buildings constructed on sites which were formerly occupied by demolished historic structures. Title III encourages the rehabilitation of existing structures, rather than their demolition. Title IV permits charitable deductions for certain types of transfer of property, not presently allowed under the law, for conservation purposes.

The Department is in full agreement with the objectives outlined in your letter and we believe that your bill would be helpful in achieving them. While the Department has no responsibility for urban buildings, we are concerned with historical buildings in rural areas and with parks, open spaces, and resource conservation.

Enactment of the bill might very well encourage the establishment of Living Historical Farms in rural areas, particularly near our urban centers. These farms, which are essentially outdoor operating museums reproducing farm practices of a particular time in a particular area, serve both as a source of knowledge and as an outdoor recreational facility. The Department believes that these

farms, whatever their time period, offer a worthwhile addition to our Bicentennial plans. A few such farms, reproducing conditions under which some of our past leaders grew up, are in existence today and more are needed.

While the Department supports the provisions of S. 2347, we would prefer the enactment of H.R. 5584. The latter, an Administration bill, is substantially identical to S. 2347 except that it additionally contains some important tax provisions designed to help preserve the coastal wetlands areas.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

J. PHIL CAMPBELL,
Under Secretary.

U.S. DEPARTMENT OF COMMERCE,
Washington, D.C., October 23, 1973.

Hon. J. GLENN BEALL, Jr.,
U.S. Senate
Washington, D.C.

DEAR SENATOR BEALL: This is in reply to your letter of October 5, 1973, to me and to Mr. Clarence C. Pusey of my staff regarding S. 2347.

As the representative and alternate for the Department of Commerce on the Advisory Council for Historic Preservation, we both are knowledgeable and enthusiastic supporters of this bill. This legislation is timely and if enacted, should provide a major impetus to the preservation of our historic property and structures for future generations.

We hope that the bill is favorably considered.

Sincerely,

J. WILLIAM NELSON,
Director, U.S. Expositions Staff.

SMITHSONIAN INSTITUTION,
Washington, D.C., March 25, 1974.

Hon. J. GLENN BEALL, Jr.,
U.S. Senate
Washington, D.C.

DEAR SENATOR BEALL: Last fall you very kindly requested my comments on S. 2347, the Historical Structures Tax Act of 1973 "a bill to amend the Internal Revenue Code of 1954 to encourage the preservation and rehabilitation of historic buildings and structures and the rehabilitation of other property and for other purposes."

Because the Smithsonian has traditionally supported efforts to preserve historic buildings and to conserve natural environmental systems I felt that the proposed legislation warranted the attention of the Board of Regents of the Institution. I am happy to report that at their meeting in January the Regents endorsed the objectives of S. 2347 and any similar legislation that would create tax incentives for the preservation and restoration of historic structures and neighborhoods; to encourage rehabilitation instead of demolition of older buildings in urban environments; and to promote charitable contributions of land and rights for conservation purposes.

The Office of Management and Budget advises that it has no objection to the submission of this report and that enactment of S. 2347 would be in keeping with the Administration's program.

Sincerely yours,

S. DILLON RIPLEY, *Secretary.*

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., December 10, 1973.

Hon. J. GLENN BEALL, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BEALL: This is in response to your request for our comments regarding S. 2347, the Historical Structures Tax Act of 1973, which you have introduced to encourage the preservation and rehabilitation of historic buildings and structures and the rehabilitation of other properties and for other purposes.

The preservation and rehabilitation of historically significant Federal buildings has been a major continuing program of the General Services Administration (GSA). In addition to the nomination of such buildings to the National Register of Historic Places, of which we recently submitted fifteen, GSA has recently successfully completed the restoration of the Pioneer Courthouse in Portland, Oregon, to use as a Court of Appeals and office space.

Under the provisions of Public Law 92–362, we conveyed to local governing bodies within the past year the Federal Courthouse and Post Office in St. Paul, Minnesota, and the Post Office in Battle Creek, Michigan, which had been declared excess but will now be preserved as viable historic monuments in perpetuity. The significant feature of Public Law 92–362 is the provision for partial use of such historic monuments for income-producing purposes to bear the cost of repair, rehabilitation and maintenance. Any excess revenues will be used for parks, recreation, and other local historic preservation projects.

Where Public Law 92–362 provides budget funding relief for local political bodies, we believe S. 2347 will furnish similar incentives to private owners of historically significant buildings. Several such buildings, including the Stock Exchange in Chicago designed by Louis Sullivan might have survived demolition in recent years had the provisions of S. 2347 been available. We concur with the Treasury Department's analytical observations and concern for the growing casualty of historically significant buildings.

In view of the President's statement at the signing of Public Law 92–362 on August 4, 1972, and the historic preservation program of the General Services Administration, we fully support the objectives of S. 2347.

Sincerely,

ARTHUR F. SAMPSON, *Administrator.*

[From the White House, Aug. 4, 1972]

STATEMENT BY THE PRESIDENT

Although Jefferson reminded us that "the earth belongs to the living, not to the dead," the value of historical preservation can no longer seriously be challenged. We need to know where we have been if we are to understand where we are—and who we are.

Although it is true that historical preservation of buildings may seem to many to have a low priority, we should not turn our backs upon these quiet, stately, authentic reminders of our heritage. As we look upon these structures we hear the voices of past heroes—strengthening our resolve to create a future that will be worthy of them.

And although the GSA surplus property bill I am about to sign may appear to some not to be significant, I do sign it with a sense of deep significance. This is in fact one of the key initiatives for historic preservation that I presented to the Congress in my 1971 Message on the Environment. The bill will give us the tools we need to permit States and localities to receive title to surplus Federal structures of historic and architectural interest.

Until today, law has prevented the free transfer of Federal surplus buildings to the States or localities unless they were to be used as museums or for other non-revenue producing activities. Many States and cities simply could not afford to take title and maintain these buildings under such terms.

Under the new law, the States and localities will be able to use the Federal surplus buildings as centers for urban commerce and tourism. They will be able to preserve the historic buildings, to cherish them, and to use them as active facilities which will raise sufficient revenue to keep them well maintained. The buildings themselves can be living parts of the community, preserving their historic past not as a thing apart but as a vital presence. Any excess revenues will be used for parks, recreation and other local historic preservation projects.

There remain before the Congress a number of additional measures I have proposed to aid historic preservation. Among these are the National Land Use Policy Act, which will help States to exercise protective controls over historic buildings and districts; proposed changes in the Internal Revenue Code to provide tax benefits for the restoration and tax penalties for the destruction of historic structures; and a new program of loan guarantees through the Department of Housing and Urban Development for the restoration and rehabilitation of historic structures for residential purposes.

I urge the Congress to enact all these measures for the benefit of our American architectural and historic values—and I sign the GSA surplus property bill with pride and satisfaction.

EXHIBIT 3

NATIONAL ENDOWMENT FOR THE ARTS,
Washington, D.C., February 5, 1974.

Hon. J. GLENN BEALL, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BEALL: I greatly appreciate your giving me the opportunity to comment on the Historical Structures Tax Act of 1973 (S. 2347). The objectives and approach of this legislation are commendable, and the National Endowment for the Arts wholeheartedly endorses its enactment. The legislation will provide forceful mechanisms to promote the preservation and rehabilitation of historic buildings across the country.

The amendments to the Internal Revenue Code as proposed in S. 2347 are needed and timely in several respects. First, they would effectively complement the Nation's preparations for the Bicentennial celebration. Moreover, the proposed amendments would be of great benefit in furthering the goals expressed by the President in his Executive Order #11593 on the Protection and Enhancement of the Cultural Environment. Finally, the legislation could promote Federal energy conservation objectives which, no doubt, will be a matter of increasing national concern. In this respect, S. 2347 is especially timely, as it would encourage substantial energy savings by fostering the imaginative reuse of older buildings and by minimizing the consumption of energy-expensive materials required in new construction.

The strength of the proposed legislation lies in its three-faceted approach to the problem, combining tax measures to discourage the demolition of historic buildings, along with incentives for rehabilitation and for the transfer of less-than-fee interest in real property for conservation purposes. Taken together, these devices should result not only in the preservation of structures now severely endangered by demolition pressures, but also in the economically feasible reuse of these structures.

The adaptive use or "recycling" of older buildings has become the focus of an increasing number of Endowment activities. The agency's Architecture & Environmental Arts program is supporting, through its grants, numerous projects of this nature, particularly through its City Edges and City Options programs. Moreover, the Endowment is now listed among those Federal agencies responsible for commenting on Environmental Impact Statements relating to historic preservation, architecture and archeology, and neighborhood conservation. Through these efforts, the Endowment has become aware of the urgent need for revisions in Federal tax policy as outlined in

S. 2347. We strongly urge the enactment of the Historical Structures Tax Act of 1973.

The Office of Management and Budget has advised us that it has no objection to the submission of this report, but that the Administration would prefer enactment of H.R. 5584, a more comprehensive measure containing the substance of S. 2347 and also provisions designed to preserve the coastal wetlands.

Sincerely,

NANCY HANKS, *Chairman.*

NATIONAL ENDOWMENT FOR THE HUMANITIES,
Washington, D.C., December 6, 1973.

Hon. J. GLENN BEALL, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BEALL: Your proposed legislation, S. 2347, the Historical Structures Tax Act of 1973, creates an unusual and important option in a distinctly important area. The preservation and effective use of historic buildings and the creation of parks and open spaces can only further the historic awareness and the general good of the people of this country. Although the Endowment is not permitted by its act to fund the actual costs of preservation, we have encouraged it by funding research and education projects that have led to the preservation of such buildings. To preserve the past as it is significant to our present is a fundamental act of the humanities. Being unacquainted with the tax aspects of the situation, I am unable to assess the relative costs and benefits which the legislation would bring about. Nevertheless, as the purpose of your proposed legislation is to continue and increase such preservation, I believe it merits serious and careful consideration.

The Office of Management and Budget has advised us that it has no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

RONALD S. BERMAN, *Chairman.*

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES,
Washington, D.C., January 24, 1974.

Hon. J. GLENN BEALL, Jr.,
U.S. Senate, Committee on Labor and Public Welfare, Washington, D.C.

DEAR SENATOR BEALL: Thank you for your letter of January 22 containing information on the Historical Structures Tax Act of 1973.

My personal interest in this legislation stems from my involvement with the Federal Design Improvement Program. For your information I enclose copies of the May 1972 Presidential statement initiating and outlining this program, and the April 1973 statement issued at the First Federal Design Assembly.

The Design Assembly component of this program is sponsored by the Federal Council on the Arts and the Humanities, and is aimed at promoting Federal leadership in maintaining high contemporary design standards. A critical concomitant to this goal would seem to me to be the preservation of the best examples of our "design heritage."

Hence, I follow the progress of this legislation with keen interest, and will appreciate receiving further news on the matter.

Thank you again,

Sincerely,

GAIL HARPER,
Staff Assistant,
Federal Council on the Arts and Humanities.

THE WHITE HOUSE,
Washington, May 16, 1972.

One year ago I asked the heads of 63 Federal agencies to determine ways by which their agencies could more vigorously assist the arts and, in turn, how the arts might be used to enhance their programs. The response to that request has been gratifying, calling fresh attention to the importance of the arts in the daily operations of Government and leading to the development of several recommendations by the National Endowment for the Arts.

Today, based upon this first set of recommendations by the Endowment, I am pleased to announce that we shall move forward on three fronts:

First, I am asking the Federal Council on the Arts and Humanities to sponsor an annual Design Assembly for Federal administrators and artists.

Second, I am asking the National Endowment for the Arts to appoint a special ad hoc task force committee to review and expand the publication, *Guiding Principles for Federal Architecture;* this document was first printed in 1962 and set forth broad aesthetic recommendations of considerable value. I am also asking the National Endowment to recommend a program for including art works in new Federal buildings.

Third, I am taking a series of actions to improve Federal graphics and publications. The National Endowment will now be responsible for coordinating the efforts of the executive agencies to upgrade their graphics. I am also requesting Federal agency heads to make a comprehensive review of their own graphics and production, and I am asking the Civil Service Commission to review existing procedures for employing artists, architects and designers for Federal service. The Commission is also to evaluate the need for expert rating panels to review credentials and portfolios of applicants for such jobs, as is done in other professional areas.

The people of this country are increasingly concerned—and properly so—with the physical appearance of their communities. There should be no doubt that the Federal Government has an appropriate and critical role to play in encouraging better design, and I am hopeful that the actions announced today will enable the Government to reflect new standards of excellence in all of its design endeavors.

RICHARD NIXON.

THE WHITE HOUSE,
Washington, April 2, 1973.

As the Federal Council on the Arts and Humanities sponsors the first annual Design Assembly for Federal administrators and artists, I want to reaffirm my strong belief that the Federal Government has a critical role in encouraging better design.

It is time that we cast aside the theory that excellence of design is a luxury. Let us see it instead as a necessity for answering real human needs. And let us also realize that good design can save money, time and maintenance and that it can immeasurably enhance communication and understanding.

The ideals that shaped our Government are among the noblest in human thought. It is imperative that these ideals be faithfully reflected in the physical creations of our Government so that future generations may be proud and inspired by those who have come before.

In these reflective years of self-examination preceding our Bicentennial, we are called upon to set high standards of creativity and performance. You can be sure that your recommendations will be the basis for constructive action. In this spirit I wish you a productive and satisfying session.

RICHARD NIXON.

SMITHSONIAN INSTITUTION,
Washington, D.C., October 19, 1973.

Hon. J. GLENN BEALL, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BEALL: I am grateful for your letter of the 12th inviting my comments on your Historical Structures Tax Act (S. 2347). I have long been deeply concerned with historic preservation, during which time it has been continuously evident how far we lag behind most of the European nations in offering tangible inducements to the owners of historic structures who might be inclined to undertake preservation. Your bill appears to be the instrument to bring some balance to this situation.

My principal and specific preservation concern has been for the structures of American technology—manufacturing, processing, and engineering structures, which traditionally are disregarded by preservationists, despite their extraordinary significance in the nation's development. I would, therefor, offer the suggestion that your bill be amended to specifically mention structures relating to "technology, industry, and engineering," as a reminder to both owners and the IRS that it is fully as important to preserve the remains of this aspect of our heritage as houses and churches. An indication that recognition of this is becoming more widespread is the fact that the number of factory and mill buildings; bridges; canals; utilities structures; mines; and so forth, included on the National Register, is increasing proportionally with time. Maryland, in fact, has been one of the most enlightened states in this regard, and is one of the few having a member of its professional review board for the National Register concerned expressly with technological structures (who happens to be myself).

If you would keep me informed of the acts progress, I would be grateful.

With all best wishes, I am,

Yours sincerely,

ROBERT M. VOGEL,
Curator, Division of Mechanical and Civil Engineering.

PROTECTING OLDER AMERICANS AGAINST OVERPAYMENT OF INCOME TAXES

Mr. CHURCH. Mr. President, over the years the Senate Committee on Aging has been concerned about the extraordinarily high incidence of income tax overpayments by the elderly.

Inquiries on this subject by the committee have provided very clear and convincing evidence that many older Americans pay more taxes than required by law for several reasons.

Some are just overwhelmed by the complexities of the Internal Revenue Code.

Others are perplexed by the complicated tax forms and numerous calculations.

And far too many are simply unaware of helpful tax relief measures.

To help provide protection against this serious problem, the Senate Committee on Aging has taken a number of important steps. Earlier this year, we published a checklist of itemized deductions as a further safeguard against elderly taxpayers overlooking helpful deductions.

Additionally, several members of the committee and Senate have joined me in sponsoring the Older Americans Tax

Counseling Assistance Act. Under this proposal elderly taxpayers would receive effective and helpful counsel—provided by elderly volunteers—to assure that they are fully aware of legitimate deductions, credits, and exemptions. All in all, 51 Senators have sponsored this proposal, including the majority and minority leaders.

Mr. President, I ask unanimous consent that a listing of the cosponsors of this legislation, S. 2868, be printed at this point in the RECORD.

Mr. CHILES, Mr. CLARK, Mr. WILLIAMS, Mr. HUMPHREY, Mr. BENTSEN, Mr. MCGOVERN, Mr. BIDEN, Mr. KENNEDY, Mr. BAYH, Mr. BIBLE, Mr. HATHAWAY, Mr. HART, Mr. MONTOYA, Mr. ABOUREZK, Mr. JOHNSTON, Mr. HUGHES, Mr. TUNNEY, Mr. MONDALE, Mr. INOUYE, Mr. METCALF, Mr. HASKELL, Mr. PELL, Mr. MCGEE, Mr. RANDOLH, Mr. MUSKIE, Mr. RIBICOFF, Mr. EASTLAND, Mr. MCINTYRE, Mr. MANSFIELD, Mr. PASTORE, Mr. FULBRIGHT, Mr. EAGLETON, Mr. BURDICK, Mr. METZENBAUM, Mr. CRANSTON, Mr. MOSS, Mr. JACKSON, Mr. NELSON, Mr. MAGNUSON, Mr. HUGH SCOTT, Mr. CASE, Mr. HARTKE, Mr. BROOKE, Mr. HUDDLESTON, Mr. STAFFORD, Mr. HOLLINGS, Mr. JAVITS, Mr. SCHWEIKER, Mr. COOK, and Mr. PERCY.

Additionally, the Older Americans Tax Counseling Assistance Act has received strong support in recent news accounts.

One such example is an article—entitled "How You Can Recover Overpaid Tax"—by Bernard Nash, executive director for National Retired Teachers Association-American Association of Retired Persons.

Moreover, Ted Schuchat, the nationally known retirement consultant, provides an excellent description of this bill in his column on "Extra Tax Help Proposed."

Mr. President, I recommend both of these articles to my colleagues, and ask unanimous consent that they be printed in the RECORD.

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

HOW YOU CAN RECOVER OVERPAID TAX

(By Bernard E. Nash)

By the time you read this, you will probably have already filed your Income Tax return—and the odds are that you paid more than your share. In fact, it is estimated that up to half of all taxpayers over age 65 fall into this category.

Fortunately, it is not too late for you to recover the money you overpaid this year and in previous years. The key to unlocking the tax vault is Form 1040X, which is available from the Internal Revenue Service office nearest you, and a booklet prepared by the staff of the Senate Special Committee on Aging.

The pamphlet, "Protecting Older Americans Against Overpayment of Income Taxes," contains a checklist of itemized deductions because most overpayments by older people result from their failure to take all the deductions to which they are entitled.

One reason for this, explains SCOA chairman, Sen. Frank Church (D-Idaho), is that "upon reaching 65, the aged taxpayer is oftentimes confronted with an entirely new set of rules, usually far more complex than the tax provisions during his preretirement years. ... Quite frequently, these provisions can pose formidable challenges, even for experienced tax experts. But for the untrained—and oftimes unsuspecting—elderly taxpayer, these complex tax relief measures can prove to be mind boggling."

To help unboggle the situation, the booklet lists hundreds of deductions to which you are legally entitled, but may have overlooked. A few samples:

Money paid for general sales, and state and local gasoline taxes (which can be computed on the basis of miles driven or actual gas bills), and state and local income and personal property taxes.

Travel and out-of-pocket (postage, stationery, phone calls) expenses while performing services for charitable organizations.

Interest paid on mortgages, auto loans, installment purchases (TV, washer, stove, etc.), and charge account "finance charges."

The booklet points out that, if you utilize the services of an accountant or professional tax preparer, their fees are also deductible. However, many older people have received free advice and assistance via the Tax Aides program of the American Association of Retired Persons and the National Retired Teachers Association.

Administered by the NRTA–AARP Institute of Lifetime Learning, the program trains older volunteers to assist their fellow retirees across the country in preparing their own return. During the 1972–73 tax season, 2,500 Tax Aides counseled more than 100,000 older people in 625 cities. To locate the Tax Aides nearest you, contact your local AARP chapter or write to the Institute at 1909 K Street, NW, Washington, D.C. 20006.

Earlier this year, Sen. Church introduced the Older Americans Tax Counseling Assistance Act which, if passed, would aid in expanding the program. Since the legislation has strong bipartisan support, it is quite probable that, by this time next year, additional thousands of older people will benefit from it.

In the meantime, the Senate committee's tax tips booklet is available from the Government Printing Office, Washington, D.C. 20402, for 35 cents. When ordering, list both the pamphlet's title "Protecting Older Americans Against Overpayment of Income Taxes," and stock number (5270–02228), and expect to wait about a month for delivery. If you're among the 4.5 million older taxpayers paying more income tax than required, this may be the wisest 35 cents you ever spent.

EXTRA TAX HELP PROPOSED

(By Theodor Schuchat)

Hard as it is to fill out many a federal income tax return, the task is even more difficult for those of retirement age.

"Upon reaching Age 65, the aged taxpayer is oftentimes confronted with an entirely new set of rules, usually far more complex than the tax provisions during his preretirement years," Sen. Frank Church, D-Idaho, told the Senate recently.

"He may find it necessary, for example, to complete the retirement income credit schedule, determine the taxable portion of his annuity, or the sale of his personal residence," the senator continued.

"Quite frequently, these provisions can pose formidable challenges, even for experienced tax experts. But for the untrained—and oftimes unsuspecting—elderly taxpayer, these complex, tax relief measures can prove to be mind boggling," said Church, who is chairman of the Senate Special Committee on Aging.

"Perhaps the most troubled individual is the aged widow, who typically has low or moderate income and very little experience in tax matters," he added. "For her, the tax law is usually a jumble or gobbledygook with numerous potential pitfalls."

Despite extra personal exemptions and other breaks in the law, many older Americans file tax returns. Nearly nine million taxpayers of Age 65 or older filed federal returns for the 1971 taxable year, the most recent for which the totals are available. That was not far from half of all those in the age bracket.

Sen. Church has proposed legislation that would authorize the Internal Revenue Service to provide extra assistance to older taxpayers. His Older American Tax Counseling Assistance Act is also sponsored by Sens. Lawton Chiles, D-Fla.; Dick Clark, D-Iowa, and Harrison A. Williams Jr., D-N.J.

TRAINED 2,500

The bill would allow the IRS to train volunteers, mainly retirees, who in turn would help other elderly taxpayers. The volunteers would be unpaid but would be reimbursed for their out-of-pocket expenses.

Last year, the IRS trained about 2,500 older people as part of the Volunteer Income Tax Assistance program—VITA. Each VITA volunteer was able to help an average of 40 other older Americans during the tax return season.

Most helpful was the advice that VITA volunteers gave about common deductions, credits, and exemptions that many older taxpayers either overlook or else do not know about.

It has been reliably estimated, for example, that perhaps half the older taxpayers who are eligible to claim the retirement income credit do not do so on their federal tax return.

"We do not need any more proof that this program has been a success," Sen. Church said recently of the VITA program, which began in a small way in 1968.

"What is needed now is a genuine national commitment to improve and expand these efforts," he said. "And that is precisely what our bill is designed to do."

WAITING FOR THE END: ON NURSING HOMES

Mr. ABOUREZK. Mr. President, I was shocked and outraged after reading an article in the New York Times magazine entitled: "Waiting for the End: On Nursing Homes" by Susan Jacoby.

The article described the most degrading treatment of our senior citizens I have ever read about. For example, one woman in a home was senile and therefore unable to control her bowel and bladder movements. However, she was not diapered, as might have been expected, because the administrator of the nursing home decided that laundry costs were too high.

One elderly woman was transferred from one home to another whereupon it was found that she was so filthy that her toes were literally stuck together.

The elderly in this country have been seen too often as a burden to society. Too often they are felt to be nuisances to our daily lives. And too often these attitudes are reflected by institutions designed to care for the elderly: the nursing homes.

We must intensify our concern for the elderly and undertake efforts to insure that conditions such as those uncovered by Ms. Jacoby, are not allowed to persist.

I ask unanimous consent that the article by Susan Jacoby, "Waiting for the End: On Nursing Homes" be printed in the RECORD.

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

WAITING FOR THE END: ON NURSING HOMES
(By Susan Jacoby)

A thin, graying woman wanders up and down the corridor of a Michigan nursing home in search of a nurse's aide. "Could you help my husband out of bed?" she asks. "He didn't feel well earlier in the day but he'd like to get up now."

It is 11 in the morning, but the aide says it is the wrong time of day for patients to be getting out of bed. "Oh, I didn't mean this minute," the woman replies timidly. "We know you're very busy." The aid stalks off down the hall and yells to a colleague, "I don't know who the hell her husband is, do you?"

"How should I know?" snaps back the other aide. "I can't remember people's names."

The home is located on a quiet residential street in Lansing, Mich., and is owned by National Health Enterprises, Inc., the largest nursing-home chain in the United States. It is neither the best nor the worst of the institutions in which more than a million Americans spend the last weeks, months or years of their lives.

The nations 23,000 nursing homes are a booming private industry supported mainly by public money. Spurred by the influx of Federal money from Medicare and Medicaid, the industry has nearly doubled its patient capacity since 1966. More than $4.5-billion was spent in nursing homes last year, with the Federal Government paying nearly half of the bill and the state and local governments an additional 25 to 30 per cent.

There are now more than 20 million Americans over the age of 65. More significant, a third of them are over 75—the age group that includes the majority of nursing home patients. Industry and Government officials estimate that at least two million of the elderly will be institutionalized by the year 2000. "It's absolutely terrifying," says Dr. Robert N. Butler, a Washington, D.C., psychiatrist with a special interest in gerontology. "What happens when there is just one more big medical breakthrough—say, in the treatment of cancer? How many more people will be living beyond the point where they can take care of themselves? How many more will live and die without dignity in the anonymity of large institutions?"

The quality of care in these institutions is attracting more public attention as more public money is channeled into nursing homes. In spite of its growing dependence on public money, the industry strongly resists demands for public access to information about its operation. In visits to 50 nursing homes in the East, the South and the Midwest, I found most of the owners unresponsive or openly hostile when they were asked about routine matters like the size of the staff, frequency of doctor visits, the amount spent on meals or the availability of physical therapy equipment.

Operators frequently refuse to permit visits from reporters or representatives of consumer organizations; I usually told the staff that I was looking for a home for my mother. An administrator at Manhattan's Peter Cooper Nursing Home told me: "When you ask a whole lot of questions—questions from some so-called consumer checklist—it just gets people's backs up." Her comment was made in response to a question about how many nurses and nurse's aides were employed by the home.

The lack of public information is closely related to many other factors which exert a negative influence on the quality of nursing-home care:

Government standards are spottily enforced by a fragmented network of state and local agencies; inspections for federally defined Medicare and Medicaid standards are carried out by the states. On Dec. 4, eight people died and 32 were injured in a fire at a Philadelphia nursing home that had been cited by state inspectors for serious fire safety deficiencies in June, 1972. At the time of the fire, the home was certified for Medicaid even though it was in clear violation of Federal safety regulations. In this typical case, inspection records were closed to the public and the state had taken no firm legal steps to force the home into compliance. State agencies blamed each other for the lack of enforcement—a typical occurrence when a disaster focuses public attention on deficient nursing homes.

During President Nixon's second term, Federal nursing home standards have been downgraded. In January, the Department of Health, Education and Welfare issued a new set of Medicare and Medicaid guidelines which replace many specific standards with hard-to-enforce generalities. The new standards affect everything from food to the number of doctor visits in nursing homes. Consumer representatives emphasize that the relaxation of standards will mean large savings for the Government and higher profits for the industry. Government spokesmen say the looser guidelines were drawn up because the old standards were badly enforced.

People who decide to place the elderly in nursing homes—younger relatives—often have no idea of what constitutes good care. Some people simply do not want to inquire too closely into conditions at the homes where they leave their parents. "They come in here with a foggy look in their eyes," said a sharp-eyed 80-year-old woman in an excellent nonprofit nursing home in Atlanta. "Remember how you used to hate the smell when your parents took you to the zoo, even though you loved to look at the animals? Most visitors here are like that. You have the feeling that they're holding their noses even though they aren't really doing it."

There is no coordinated plan to meet the social needs of the growing elderly population. More and more government money is pumped into profit-making nursing homes, but virtually no money is available for alternative services—like visiting nurses or housekeepers—that might keep more old people out of institutions.

More than 90 per cent of the nation's nursing homes are proprietary (profitmaking) institutions. Large chains like National Health Enterprises, listed on either the New York or the American Stock Exchanges, control about 10 per cent of the business. That figure understates the influence of chains, because many smaller nursing home companies are not listed on the stock exchanges. These are usually local chains, with five to 10 homes within a 100-mile radius. The profitable local chains are frequently bought out by larger chains.

The expenditure of so much public money in private, profit-making institutions is rooted in the good intentions of Congress when the original Social Security Act was passed in 1935. The act set up a small program of matching Federal grants to states for cash assistance to needy old people. One provision prohibited the use of Federal funds to support any person living in a public institution; the purpose of the ban was to discourage states from using Dickensian 19th century poorhouses to care for the aging.

The little-noticed Social Security provision encouraged the conversion of private housing into profitmaking boarding homes for the elderly—the forerunner of today's nursing home industry. In the thirties, few planners foresaw the massive social needs that would arise when families began to slough off the responsibility for older relatives at the same time that medical advances were keeping unprecedented numbers of people alive into their 70's and 80's. And no one asked whether profit-making institutions were best designed to meet those needs.

Medicare and Medicaid, the chief sources of Federal support for nursing home patients, are frequently confused by the public:

Medicare, financed through the Social Security system, pays primarily for hospital expenses connected with acute illnesses. In nursing homes Medicare pays for only 100 days of posthospital care. Medicare outlays in nursing homes totaled approximately $340,-million in 1968. By 1970, due to stringent cost-cutting efforts by the Administration, the expenditure was down to $180-million. Many nursing home patients who were eligible for Medicare funds between 1966 and 1969 were abruptly cut off; worse still, the Government demanded retroactive repayment. In 1973, Medicare payments to nursing homes leveled off at $188-million. Out of more than a million nursing home patients, only 70,000 were receiving any Medicare assistance. "People have misled about Medicare," says Ronald F. Krysiek, corporate secretary of National Health Enterprises. "A lot of people come to our homes and are convinced that Medicare will pay for everything. When we tell them it's not so, they think we're lying to them."

Medicaid, the big bonanza for nursing homes, is the matching state and Federal program for the "medically indigent." Medicaid pays for long-term care as well as for hospital treatment. State rules for Medicaid eligibility vary considerably. In some states, especially in the South, people are not eligible for Medicaid if they have any financial assets. "It's heartbreaking," said a staff member at the non-profit Wesley Woods Health Center in Atlanta. "A couple will have life savings of $2,000 for a funeral—that's very important to a lot of older people—and the state makes them spend the money before they can get any Medicaid." Other states allow the elderly to keep a small savings account and still receive Medicaid. Many nursing home patients are eligible for Medicaid in addition to their Social Security payments: Social Security cannot possibly pay the $600 to $1,200-a-month bills of nursing homes in major metropolitan areas. Medicaid payments go directly to the institutions which house eligible patients, not to the individuals.

Most patients' Social Security and Medicaid checks are cashed directly by the nursing homes. According to Federal law, Medicaid patients are supposed to receive a $30-a-month allowance for personal use. However, many patients do not receive the allowance—either because they are senile or because they are not aware of their legal right to the money. In some of the homes I visited, owners used the $30 allowance for laundry charges not included in the basic rates for nursing care. One man in a New York home told me he had been a patient for three years before he learned about the personal allowance from a niece. "She wondered why I was always begging her for cigarettes when she came to visit, and I told her I had no money to buy them. She went to the administrator and threatened to get a lawyer, and then they started giving me the money." The man asked that his name be withheld because he was afraid of retaliation from the nursing home staff.

Approximately 80 per cent of nursing home patients receive Medicaid or some other form of public assistance. At hearings last fall before a subcommittee headed by Senator Frank Moss, Democrat of Utah, American Nursing Home Association President Don T. Barry described these patients as "individuals [who] have had a life-style characterized by a pattern of social and economic failure."

Barry's statement is misleading, because the number of middle-class people on Medicaid is growing. Most states do not require families to contribute to the support of their aging parents, and even wealthy families would find it difficult to bear today's nursing home costs. If a person lives in a nursing home for several years, extensive life savings

are eaten up and Medicaid becomes a necessity. "We had a man here who bought Coca-Cola stock in 1920," said a nursing home director in Atlanta. "You can imagine how much that was worth by 1960. But he lived to be 94, his only son died and his stocks had to be sold, one by one. He was on Medicaid for the last four years of his life. It can happen to anyone."

The financial problems confronting people who must seek nursing home care for their parents are essentially the same throughout the country. In New York City, a good home for a patient who needs skilled nursing care costs a minimum of $225 a week. In less expensive areas of the country, the cost might be as low as $150 a week—still too much for a middle-income family. State Medicaid reimbursement is usually lower than the rates homes charge private patients. At one New York home, the daily cost to a private patient is $41, while the charge for Medicaid patients, reimbursed by the state, is $35.77. Only rich patients can pay their own bills, and only the rich could afford to pay such bills for their parents.

In New York, any patient who is eligible for institutional care is also eligible for Medicaid. The only restriction is that an individual patient have savings of less than $1,750, or a couple less that $2,700. In practice, this means that some patients will pay a nursing home for their care out of their savings until they reach the $1,750 level, and then avail themselves of Medicaid. The income of a patient's children has no bearing on Medicaid eligibility—a Medicaid patient could have a child making $100,000 a year, $5,000 a year or no money at all. While there is nothing to prevent families from giving extra spending money to their relatives in nursing homes who are reeciving Medicaid, or to keep families from paying for better services, such instances are rare.

The fact that "it can happen to anyone" is responsible for the new attention that is being focused on the nursing home industry. No one—including industry spokesmen—denies that many nursing homes are failing to provide high-quality care. In 1971, a General Accounting Office audit of nursing homes in three large states found that more than half of the homes were violating basic Government regulations. The report was extremely specific. In over half of the homes inspected by the G.A.O. auditors, the requirement that patients be visited by a doctor every 30 days was being completely ignored. There is no reason to think the situation has improved or will improve, because the newly issued H.E.W. guidelines have dropped the 30-day visit requirement. (Under the current rules, a patient need not be visited by a doctor at any specified intervals after his first 90 days in a home).

The G.A.O. report dealt with routine failure to meet Government standards. From other sources, it is all too easy to unearth genuine horror stories about nursing homes certified for state and Federal programs. Some of the most flagrant examples of nursing home abuses have been aired before Senator Moss's subcommittee, which has made a dogged investigation during the past 10 years into nearly every aspect of the nursing home industry. They are the kind of hearings that do not attract attention from the national press unless a well-known witness like Ralph Nader is testifying. But the testimony of ordinary citizens is more striking. In 1971, Mrs. Glenda Carlson described her mother's confinement at the Suburban Convalescent Center in South Chicago Heights, Ill.:

"I visited mother three times weekly, and at unexpected times. Each time, I would purposely look at the right foot. . . . Her right foot was purple and black. She screamed with pain if nurses got anywhere near her foot. I was shocked and horrified at the sight and complained that the nurses had not called the physician in to treat mother's right foot. . . . Never once did I visit mother when she was diapered. I questioned the nurses as to why a person with my mother's condition of senility, and ulcerated-looking foot, would not be diapered. Their answer was that [the] administrator of the Convalescent Center did not approve having diapers on the incontinent patients because it caused too much laundry and cost far too much. Because [she wasn't] diapered . . . without being aware of it, due to her senility, she would get her hands in her own excrement, scratch the open sores on the right foot and smear it all over herself."

The Suburban Convalescent Center was certified for Medicaid at the time of the hearings. It is still certified for Medicaid today.

Also entered in the record was a letter concerning the plight of a patient at the Carver Convalescent Home in Springfield, Ill.:

"A disability assistance recipient, Mrs. Annie T. Bond, received nursing care in the Carver Convalescent Home from October, 1965, to February, 1968, on which date she transferred to Mary Ann's Nursing Home in Decatur. Mrs. Bond's condition upon admission to Mary Ann's Nursing Home was such that her attending physician and the nursing home staff were quite concerned. The following is a description of Mrs. Bond's condition at the time: 'Mrs. Bond was covered with decubiti [bedsores] from the waist down; . . . the decubiti on hips were the size of grapefruits and bones could be seen; . . . the meatus and labia were stuck together with mucous and filth so that tincture of green soap had to be used before a Foley catheter could be inserted; . . . her toes were a solid mass of dirt, stuck together, and not until they had been soaped . . . for three days did the toes come apart. . . .'"

The letter from the inspection nurse was addressed to the Illinois Department of Public Aid. An investigation was ordered, but state records do not indicate whether one was made. The Carver Convalescent Home is no longer in business; it was destroyed in a fire in 1972. Ten patients died. The home was still licensed by the state at the time of the blaze; citizens' groups had repeatedly called for investigations of conditions at the home but their requests were ignored.

These are obviously extreme examples, but it is difficult to understand how such homes were ever certified to receive state or Federal money. I saw many more common examples of deficient care when I visited nursing homes in the guise of a potential customer.

Many of these nursing home deficiencies are rooted in the attitudes of the staff toward patients. There was the administrator who said old people were "something like untrained dogs." Another administrator, who had just finished telling me she sees "these people not as patients but as individuals," then added, "They're so cute. We have two senile ladies who found each other and who spend the entire day together. You know they don't understand a word you're saying to them, but they're so sweet and cute, like children." I had seen the two women during my tour of the home. They were holding hands and staring at a blank wall.

Few administrators addressed patients as "Mr.," "Mrs.," or "Miss"; most simply used first names. The denial of this simple formality strips the nursing home patient of a small piece of dignity; the situation is analogous to that of an employer who habitually calls a maid by her first name while the maid addresses the employer by a title and last name. The patients in nursing homes do not address staff members by *their* first names.

Furthermore, I frequently witnessed instances not only of staff members' indifference to their patients, but also their outright hostility. In a Michigan nursing home, an emaciated woman was sitting in a wheel chair. The blanket covering her legs had fallen to the floor. "You'd better pull that blanket back up, honey," said an aide. "No one around here wants to look at your skinny old legs."

From a consumer standpoint, it is especially difficult to evaluate a home with an inviting surface appearance. Manor Care, a chain of Maryland nursing homes, owns an attractive modern building in affluent Montgomery County. The grounds are elaborately landscaped, the lobby carefully furnished, the dining rooms sparkling and the game room stuffed with yarn-and-coat-hanger toys made by the patients. The only defect I noticed was the scarcity of equipment in what was advertised as a well-equipped physical therapy department. But records of Medicare and Medicaid inspections, as well as accounts of proceedings before the Maryland State Board of Nursing Home Examiners, reveal some disturbing facts about Manor Care operations in the past. Some records are open to the public and some are not. They are kept in Federal and state offices in Baltimore, and none are easily accessible to consumers who are looking for a nursing home.

In 1972, an administrator at the Montgomery County home lost her state license for violations which included keeping more than a dozen cats in the kitchen and allowing roaches to multiply unchecked. The Maryland State Board finally took action against the administrator after a county health inspector found a case of salmonella (food poisoning) in the home. The inspector informed the administrator that standards for Medicare participation required the home to isolate a patient with salmonella, since food poisoning is highly contagious in institutions. When the inspector checked the next day, the food poisoning victim was still in a room with another patient. Still declining to comply, the administrator said, "Well, we could put the patient in the physical therapy room but that wouldn't be such a good idea. That's where we put the bodies of the deceased before the funeral home comes to pick them up."

Federal and local inspection reports indicate that Manor Care Homes have had a frequent turnover of nursing directors—a key job in any home. A former administrator told one inspector that corporate policies prevented her from budgeting more than two hours of nursing care a day per patient. The administrator said nursing directors felt it was impossible to do their job properly within the budgetary restrictions. (National Health Enterprises budgets three hours of nursing care a day.)

S. J. Radcliffe Jr., secretary-treasurer for Manor Care, Inc., said the old violations have been corrected. "We cooperated fully with the county authorities when the food poisoning case was brought to our attention. When violations are brought to our attention, they're taken care of and that's the end of it." Radcliffe noted that Maryland state guidelines only require two hours of nursing care per day but said that Manor Care provides for more nursing when it is needed. "I wouldn't say that there is a hard-and-fast corporate policy on this."

Virginia D. Maxwell, chairman of the Maryland Board of Examiners and chief of nursing home inspections for Montgomery County, says the purpose of enforement is "not to put nursing homes out of business but to see that violations are corrected. When violations are corrected, that's to the credit of everyone concerned. But I also think it's important for consumers to look at the performance of homes over a period of years, especially if they're under the same ownership. This shows you what kind of pattern you have. Are there isolated violations, or is there a pattern of deficiency that makes the home a bad bet?"

Yet in many seemingly attractive nursing homes, which have no history of violations, it is still difficult for consumers to

get the most elementary information about nursing care from the homes themselves. The National Health Enterprises Home in Michigan is a sprawling brick and glass building that would look like a new suburban public school were it not for the guard at the door. During my tour, the large, freshly painted rooms with three or four beds were gleaming and free of any smell of urine—a constant problem in homes where some elderly patients have no control over their bowels or bladder.

The administrator informed me that the average rate at the home was $19.60 a day, and that laundry would cost an extra $11 a month. She was not as forthcoming with information about other aspects of nursing care. I asked about the ratio of staff to patients, and she told me there was a registered nurse on duty at all times. She said she did not know how many practical nurses or nurse's aides were on duty at any given moment.

"I don't have those figures myself," she said. "But it's more than adequate to meet the patient's needs." It was the same answer couched in politer terms, that I had received from the Peter Cooper Home administrator who told me not to ask questions from a "so-called consumer checklist." Owner Herman Salamonovitz said, "If we'd known you were a reporter, we would have given you the information you asked for. But let me assure you, people don't ask these questions. How many nurses are there, how many aides? People just don't ask. There has to be some trust."

At the same home, in Manhattan's Greenwich Village, many patients were lying in near-total darkness. On a drizzly January day, the lights were turned off in all of the bedrooms. The assistant administrator, noting my critical glance, had explained that "the ones who are still in their rooms don't want the lights on."

On Aug. 6, 1971, President Nixon unveiled an eight-point program designed to transform nursing homes into "shining symbols of comfort and concern." He acknowledged that many homes "now fall woefully short of this standard. Unsanitary and unsafe, overcrowded and understaffed, the substandard nursing home can be a terribly depressing institution. To live one's later years in such a place is to live in an atmosphere of neglect and degradation." Mr. Nixon emphasized that Medicare and Medicaid funds should be cut off from institutions that fail to meet Government standards. "This is not only a matter of personal belief," he said, "it is also the law of the land—and has been since 1965." According to a report being prepared by Senator Moss's subcommittee on long-term care, only 579 out of more than 23,000 homes have lost their certification for Federal funds since the President's speech. The figure contrasts sharply with the 1971 G.A.O. audit's finding of serious violations in more than half of the inspected homes.

H.E.W.'s relaxation of Federal standards for nursing homes is also at odds with the President's rhetoric. At last fall's hearing before the Moss subcommittee, the new H.E.W. guidelines drew sharp criticism from professional and consumer organizations ranging from the National Council of Senior Citizens to the American Nurses Association. The only organization favoring the guidelines was the American Nursing Home Association, a powerful lobby representing nursing home owners. Consumer groups hoped that H.E.W. would take their objections into account and delay issuing the final rules, but they were released several weeks after a private White House meeting between Mr. Nixon and chief officers of the Nursing Home Association. (H.E.W. has promised to meet some of the consumer objections in additional rules to be issued at an unspecified future date.)

The relationship between the Nixon Administration and the nursing home lobby seems to be based largely on the Administration's interest in budget-cutting and the owners' interest in bolstering their profits. Lower standards serve the purposes of both the Government and the industry.

Some nursing home owners did make large contributions to the Nixon campaign. On Jan. 14, The Milwaukee Journal reported that Robert A. Paliafito, board chairman of National Health Enterprises, had contributed $30,000 of his personal stock in the company to the Committee for the Re-election of the President. The contribution, made before April 7, 1972, did not become a matter of public record until the Common Cause suit succeeded in opening the files on early campaign contributions. Also according to The Journal, George B. Cook, a former director of National Health Enterprises, was a Nixon fund-raiser in 1968 and 1972. Cook contributed $10,000 worth of his National Health Enterprises stock to the Nixon re-election campaign in 1972.

Most critics of the industry agree that the nursing home owners' lobby is much more powerful at the state than at the Federal level. In every state I visited, owners of small nursing home chains had made $500 to $1,500 contributions to the campaigns of state legislators. Many legislators also own stock in state-wide nursing home chains. The owners seem to be nonpartisan; they make contributions to the campaigns of Republican and Democratic legislators.

Government standards for nursing homes seem dull and meaningless on paper, but they are directly related to the quality of everyday care. H.E.W. officials defend the new regulations on grounds that the old, more specific rules, were not strictly enforced because homes only had to be in "substantial compliance." The new guidelines eliminate the concept of substantial compliance and require homes to be in full compliance. Frederick Trail, chief of the division of health facilities and standards of the Michigan Health Department, believes the change to "full compliance" is meaningless without specific standards. "The new guidelines stink," he says. "It's better to be in substantial compliance with a standard that means something than to be in full compliance with a bunch of garbage."

Trail pointed out that standards which seem to be bureaucratic nit-picking actually have an important impact in nursing care. As an example, he cited the abandoned H.E.W. requirement that nursing homes provide a hand washbasin in each room. "We've been trying to enforce that rule for years," he said, "and we've just about brought homes into line. It's very important in containing the spread of infection. If a nurse's aide has a washbasin right there, she'll wash her hands before she goes on to the next patient. If there's only a basin down the hall, maybe she'll do several other patients before she washes. This little regulation can mean the difference between comfort and cleanliness for the patient and dirt and disease."

Guidelines covering the duties of registered nurses provide another example of how specifics have been replaced by generalities in the new regulations. Now the rules simply state that the head nurse "is responsible for the supervision of the total nursing activities in the facility during each tour of duty." The old guidelines specified that the registered nurse must "make daily rounds to all nursing units, performing such functions as visiting each patient, reviewing clinical records, medication cards, patient care plans and staff assignments, and to the greatest degree possible, accompanying physicians when visiting patients." In effect, the new guidelines eliminate the requirement for direct contact between the nurse and the patient.

The importance of strict regulations is borne out by visits to the few nursing homes which voluntarily maintain higher standards than the state and Feedral Government demand. Moses Unger, owner of the American Nursing Home on Manhattan's Lower East Side, supports a National Council of Senior Citizens proposal to establish staff-patient ratios. He says: "There should be a minimum staffing requirement of 2.5 hours of nursing care a day per patient in a skilled nursing home." (There are basically two types of nursing homes receiving Medicaid funds—"skilled homes" for patients who need round-the-clock nursing care, and "intermediate care facilities" for patients who are presumably less ill. Medicare funds go to only a small number of skilled nursing homes.) "There's no way, no matter what any owner says, that a home can provide good care without that," Unger says. "A skilled nursing home has really sick people—their needs will never be lower, only higher."

The high quality of care at the American Nursing Home provides considerable insight into the importance of direct contact between patients and the head nurse. For a visitor, the first exceptional fact about the home is that virtually no one is lying in bed during the day. Winifred Adimora, the head nurse, says the staff insists that patients get up unless it is physically impossible. She seems to be everywhere at once, cajoling and issuing instructions to patients, aides and nurses. She is especially proud of a program that has reduced the number of incontinent patients. "When I first came here, I started having the aides get people out of bed and take them to the bathroom every two hours.

Sometimes it didn't work—five minutes later, the patient would come back and go in the bed. The whole purpose was so we would know what time people needed to go to the bathroom. At first there was a lot of resistance from the staff because it was more work—but in the end it was less work. Many of the patients who had been incontinent were quite able to wait when they knew someone would help them to the bathroom at the right time. It gives them a sense of dignity—no one wants to feel like a child again."

Mrs. Adimora has worked at the home for 11 years. Unger says the key to running a good home is to pay the staff more than at ordinary hospitals. "This is very hard physical work, and few people want to do it because our society doesn't like to think about, or look at, old age. Most people would rather work in a maternity ward than a nursing home. You can't provide decent care if you make a profit by paying low salaries."

Adequate nursing home care depends on adequate financing from the states as well as the Federal Government, and some states are not meeting their responsibilities. State reimbursement formulas under Medicaid vary substantially. Some, like Michigan and New York, use a "reasonable cost" formula which reimburses homes for their expenditures plus a fixed margin of profit. Other states, like California under Gov. Ronald Reagan, have adopted stringent cost-control tactics which do not even allow for geographical cost-of-living differentials.

Medicaid provided the opportunity for a particularly ill-advised economy on the part of many states: the discharge of elderly mental patients from psychiatric hospitals into ordinary nursing homes. After Medicaid was enacted, dozens of states seized the opportunity to reduce their mental health budgets by putting mental patients in nursing homes that would receive matching Federal funds. Michigan is a typical case: During the past five years, more than 10,000 mental patients have been discharged from state institutions. Many of these patients were placed in nursing homes built after the enactment of Medicaid. The State Department of Mental Health ordered the transfers with the blessings of the Legislature. The

general Health Department, a separate agency, protested the move. "The only motive was to save money," says Thomas C. Lindsay, chief of the division of public health care administration for the Health Department. "It cost $26 a day to keep these people in mental hospitals, and it only costs $19 a day in most nursing homes. And the nursing homes aren't equipped to cope with this; you have people with serious psychological problems in the same room with people whose only problem is physical old age. And this is happening all over the country."

Nonprofit homes suffer much more than profitmaking homes in states with tightfisted legislatures. The Wesley Woods Health Center in Atlanta is a typical example; it relies on subsidies from the Methodist Church to break even. Georgia pays only a third of the cost of Medicaid (compared to New York's share of 50 percent in the Federal formula), but the Legislature refuses to consider "reasonable cost" reimbursement for homes. Its flat-rate payment does not begin to cover the costs of a good home in the Atlanta area. One legislator coined the phrase "malicious indigence" to describe old people who cannot pay their medical bills. "There's a feeling in this state that people who are old and poor have somehow mismanaged their affairs," says Wesley Homes' vice president, Thomas F. Satterfield. "We're running nursing homes because it's a public service the church feels it should be involved in, so our cost rises don't come out of our patients' welfare. It's difficult to imagine what the quality of care must be in some of the profit-making homes in this state."

Satterfield's comment underlines an undeniable fact about nursing homes throughout the country: The quality of care is better in nonprofit than in profitmaking homes. Most nonprofit homes are financed at least partly by religious organizations, and they all have long waiting lists. "Our responsibility is to the patients," said the head of a Roman Catholic home, "not to our stockholders." Moses Unger, however, believes his nursing home demonstrates that "reasonable profit" is compatible with good care. "The question is how you define reasonable profit," he emphasizes. "Profit is not compatible with good care if Government standards are so badly enforced that they allow unscrupulous people to make their money by shortchanging the patients. Obviously this happens in too many cases."

The industry has not been notably cooperative with states that have attempted to build a profit ceiling into their cost-reimbursement formulas. In 1968, the Michigan Health Department asked a sample of nursing homes for cost figures to help determine Medicaid rates. Less than half of the homes responded voluntarily. Shortly afterward, the state Legislature passed a bill requiring the homes to supply the information.

Lindsay says his department found that many homes were making $4 or $5 a day profit per patient under the old flat-rate formula. "There were even homes that were getting a 20 percent return on investment, at the taxpayers' expense. We've now worked out a formula for reasonable cost, plus a 6.5 to 7 percent return on investment after taxes. The industry wanted 8 percent before taxes. There was a compromise."

Critics of the nursing home industry agree that there is no simple solution to the problem of improving patient care. "It's a swamp," says William R. Hutton, executive director of the National Council of Senior Citizens. "There are so many established abuses, so many competing bureaucracies that don't do their job—you make a little improvement in one place and the muck thickens in another. True consumerism is the only answer."

The National Council and Edward P. Beard, a young Rhode Island legislator, recently proved how potent consumerism can be. A year ago, the Rhode Island General Assembly passed a bill that had seemed doomed by the state's powerful nursing home lobby. The law provides for unannounced nursing home inspections, fines of up to $300 for each violation and total public access to the inspection reports. The National Council helped mobilize over-65 voters who deluged key legislators with expressions of support for the bill.

"I was told there was no chance of passage when I introduced that bill," Beard recalls. "But thousands of people turned out for the hearings, and the committee chairmen couldn't sleep because their home phones were ringing off the hook at night. Old people vote, in large numbers. They have more votes than nursing home owners. It's that simple."

Beard says the provision for public disclosure was more important than the imposition of fines. "The operators have been rushing to clean up. They don't, don't, don't want potential customers reading in the morning paper that their home has been cited for 50 violations."

Congress has passed a law requiring nationwide public disclosure of inspection reports for Medicare and Medicaid, but H.E.W. has interpreted the statute in the narrowest possible fashion. Since May 1, 1973, Federal law has specified that reports of inspections must be "a matter of public record, readily and easily available." As defined by H.E.W., "readily available" means that summaries of reports will be shown to consumers on request at regional offices of the Social Security Administration (for Medicare) and H.E.W.'s Social and Rehabilitation Service (for Medicaid).

New York state health officials wanted to require nursing home owners to post the inspection reports on the premises. "This would be invaluable to the consumer," says Marvin G. Nailor, executive assistant to the State Commissioner of Public Health. "Who's going to go searching for reports in the offices of bureaucrats who may or may not want to be helpful?" When the health department made the proposal to the Social Security Administration, the state received a flat turndown. The department was informed that Social Security regulations explicitly forbid the disclosure of Medicare inspection records by state agencies. "We think there's a clear conflict between the administrative rules and the intent of Congress," says Nailor.

Beard says the Rhode Island experience shows that "it's going to take real consumer pressure from the ground up to make them publicize the real dope. Flood each nursing home with people in their 60's demanding a look at the facilities. Have them camp out on the owner's doorsteps. It'll work."

Consumer pressure also has an important role to play in the fight to obtain money for alternative services to nursing homes. Consumer groups consider it essential to obtain financing for part-time services that would keep more of the elderly out of nursing homes. "My idea," says Michigan's Lindsay, "is that we should provide half the Medicaid rate to families who want to help take care of their parents. This could pay for a nurse if only part-time care were needed—it could enable a family to add a room to its house if that were needed. Right now, we're saying to people that the only financial help you can get is if you put your mom or dad in an institution."

Other possibilities are daycare centers for people who need part-time nursing or simple companionship, home meals or housekeeping services for those who need some help with domestic chores, and visiting nurses. These services are unavailable in many communities and are seldom publicly financed. A senior Congressional staff member with a long-time involvement in health legislation says that noninstitutional services for the elderly are "absolutely vital and absolutely tough to write into a law." He believes that many owners would see such legislation as a threat to their profits.

"Everybody knows something has to be done about nursing homes," he says, "but it's going to be a while coming. The basic question is whether we spend all of our money taking care of people inside institutions or whether we spend some of it in an effort to keep them out of institutions."

HOW TO FIND A NURSING HOME

(By Susan Jacoby)

(1) Plan ahead. Begin investigating nursing homes immediately if your parent has been hospitalized for a serious illness.

(2) Find out exactly what financial benefits your parent is eligible for under both Federal and state programs. Your family doctor can be helpful, but all information should be checked with your state department of health.

(3) Nonprofit homes usually provide the best care, but they have long waiting lists. If your area has a nonprofit home with a good reputation, visit it to use as a standard of comparison. You may be able to get your parent on the waiting list.

(4) Visit as many homes as possible. Try to visit homes of different types—say, large homes with more than 100 beds, and small homes with 40 or 50 beds.

(5) Tell the administrator of each home that you want to visit for at least an hour. If he or she objects, the home has something to hide. You cannot acquire any real feeling for the atmosphere of a home in the five-minute tours many administrators prefer.

(6) Insist on seeing every floor of the home. Some homes reserve one floor for visitors, and the floor does not reflect conditions throughout the home. Be sure to see the kitchen, bathrooms, dining room and physical therapy facilities.

(7) Ask as detailed questions as possible. The local chapter of the National Council of Senior Citizens can be helpful. H.E.W. publishes a useful booklet with a consumer checklist. It may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. The stock number is 1761–00032, and the price is 40 cents.

(8) When you have narrowed your choice down to two or three homes, look up the Medicare and Medicaid inspection reports. Your state health department can tell you where the reports are located. You are legally entitled to see them.

DEFENSE DEPARTMENT AND PROCUREMENT REFORM FLOOR STATEMENT BY SENATOR SAM NUNN

Mr. NUNN. Mr. President, as a member of the ad hoc subcommittee on Federal procurement, I was especially pleased by the prompt Senate passage of S. 2510, to create an Office of Federal Procurement Policy, on March 1.

I would like to especially compliment our chairman, the distinguished Senator from Florida (Mr. CHILES) and the ranking Republican, the distinguished Senator from Delaware (Mr. ROTH) for their outstanding leadership in this area and particularly on this bill. The participation of the other members of the subcommittee, the distinguished Senator from Tennessee (Mr. BROCK) and the distinguished Senator from Kentucky

(Mr. HUDDLESTON) were instrumental in getting prompt Senate action on S. 2510.

Mr. James Phillips of the National Journal Reports recently crystallized the current situation in a fine article that I think would be of interest to members of the Senate.

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

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

ECONOMIC REPORT/PENTAGON SEEKS TO FORESTALL HOUSE ACTION ON PROCUREMENT BILL

(By James G. Phillips)

The Pentagon is preparing a last-ditch stand in the House against legislation to establish a central office to oversee all executive branch purchases of goods and services, including military procurement.

Defense Department officials have asked House Government Operations Committee Chairman Chet Holifield, D-Calif., to defer action on a bill (S. 2510) setting up a centralized Office of Federal Procurement Policy, which the Pentagon sees as a threat to its own vast procurement bureaucracy. Pentagon officials also have asked members of the House Armed Services Committee to urge Holifield to delay action on the bill.

"We believe that the desirable goal of more centralized leadership of the procurement policy function can be achieved within the present system and without the need for legislation." Leonard Niederlehner, Defense Department acting general counsel, wrote Holifield on March 27. "It is our belief that legislation should be a last resort to be considered only if we are unable to work things out within the present system."

OMB PLAN

What the Pentagon would like to see is a tryout period for a procurement approach proposed last year by the Office of Management and Budget (OMB), under which a procurement coordination office would be established in OMB by executive action. But the proposal was made last July and OMB has not yet implemented it. (For background on the OMB proposal, see Vol. 6, No. 5, p. 181, and Vol. 5, No. 30, p. 1110.)

Meanwhile, congressional proponents of procurement reform have become convinced that OMB merely is stalling for time. These proponents think a procurement policy office with teeth in it will be established only if Congress moves in with legislation. They already have succeeded in the Senate and they think they will win in the House.

To bolster their argument for a statutory base for the office, proponents cite the defection of General Services Administrator Arthur F. Sampson from the Administration line on the issue.

"For all its value, this interagency coordination will not result in the dramatic changes necessary—not one single major procurement reform—without the establishment by statute of an Office of Federal Procurement Policy," Sampson said at a Federal Bar Association seminar on government contracts March 5.

"Let's face it," Sampson said. "We're running a $60 billion purchasing program like a garage sale. No one at the front of the store. No one in charge. If Procter Gamble or General Motors or IBM ran their purchasing like that it would certainly put their stockholders out of sorts—if it didn't put them out of business altogether."

SENATE PASSAGE

Despite Pentagon predictions of a hot floor fight, proponents of S. 2510 won an easy victory March 1 when the bill came up on the Senate floor. The Senate passed the bill by voice vote and without change from the version of the measure reported by the Government Operations Committee Feb. 26 (SRept 93-692).

At the Pentagon's request, members of the Senate Armed Services Committee had made inquiries with the Government Operations panel about the effect the proposed office might have on military procurement. But Senators on the Armed Services Committee came away convinced that the office would not interfere with the Pentagon's specialized procurements. So these members did not oppose the bill on the floor.

As passed by the Senate, S. 2510, originally introduced by Sen. Lawton Chiles, D-Fla., chairman of the Government Operations Subcommittee on Federal Procurement, establishes the procurement policy office as a separate entity in the executive office of the President. The bill sets forth the policy that the office will "provide over-all leadership and direction through a small, highly qualified and competent staff, for the development of procurement policies and regulations for executive agencies in accordance with applicable laws." The office itself specifically would be prohibited from doing any actual procurement. But it would have an enormous say in the methods that agencies use in making their own purchases. Powers that the bill grants the new office include:

Responsibility for establishing a system of coordinated government-wide procurement regulations (and to the extent feasible uniform regulations);

Authority to develop regulations that utilize competitive procurement methods to the maximum extent practicable;

Authority to monitor and revise policies that emphasize reliance on the private sector rather than on government owned facilities (such as armories) for goods and services;

Responsibility for developing a system of collecting and disseminating government-wide procurement data in order to meet the informational needs of Congress, the executive branch and the private sector.

To make Congress a more influential partner in the procurement process, the bill gives each house the power to veto major policy decisions proposed by the procurement office. All proposed policy changes must be submitted to Congress for advance review and they will become effective unless either the House or the Senate adopts a resolution disapproving them after 60 days of continuous session from the time the proposals were submitted.

The office would have a five-year authorization, after which time Congress would decide whether to continue it. Its first-year budget would be limited to $4 million.

HOUSE OUTLOOK

Despite Pentagon and OMB opposition, staff members of both House Armed Services and Government Operations Committees expect the bill to pass the House by early summer.

"Opposing this bill is like opposing motherhood," said an Armed Services Committee aide who asked not to be identified. "I doubt that members of our committee will actively oppose it, at least to the extent of interceding with the Government Operations Committee." The aide said such a course had been suggested to the Armed Services Panel by a "high level" Pentagon official.

"Our members aren't sure that the Pentagon's opposition to the office is well-founded," the aide said. "The Pentagon just wants to keep its own system. It doesn't want to deviate at all."

Herbert Roback, staff director of the Government Operations Committee, told NJR he expected the bill to be reported favorably by late May or early June. Industry associations favor the legislation, leaving the Pentagon and OMB alone in their opposition.

OTHER REFORMS

Passage of S. 2510 would implement the major recommendation of the Commission on Government Procurement, which early last year produced 149 suggestions for changing the way the federal government buys products and services from private companies. (For reports on the commission's recommendations, see Vol. 5, No. 21, p. 745, and No. 25, p. 897.)

While the bill to set up the procurement office moves forward in the House, committees in both chambers already are making plans to implement other reform proposals suggested by the commission. Said Sen. William V. Roth, Jr., R-Del., a co-sponsor of the bill: "The establishment of the procurement policy office will give Congress a necessary 'foot in the door' toward the enactment of a full slate of procurement reform measures."

In its first step following Senate approval of S. 2510, the Senate Subcommittee on Federal Procurement April 11 reported a bill (S. 2785) by Chiles designed to reduce administrative costs in the federal government's leasing of computers and other office equipment. The General Services Administration testified that the bill would save $75 million over a five-year period.

The subcommittee also plans action in the near future on commission recommendations for a consolidated procurement law to replace the separate statutes that now govern federal purchasing—one of the defense establishment and a widely differing one for most other agencies.

And both the Senate subcommittee and the full House Government Operations Committee soon plan to schedule action on a proposal to increase from $2,500 to $10,000 the minimum amount below which procurement contracts are exempted from formal advertising for competitive bids. The commission estimated that this would save $100 million a year in administrative costs.

BUDGET REFORMS

In a related development, the Senate in action March 22 on a bill (H 7130) to reform congressional procedures for acting on the federal budget, adopted an amendment by Chiles modeled along the lines of a procurement commission recommendation, to provide for timelier statements of program goals and research on alternate means to achieve them.

Chiles' proposal, reported Feb. 4 by the Government Operations Committee as a separate bill (S 1414, SRept 93-675), would require OMB beginning with fiscal 1979 to organize the federal budget in terms of national needs, followed by a statement of all the programs available throughout the government to meet each of those needs.

Chiles has argued that the existing system, under which the budget is presented on an agency-by-agency basis, makes it difficult for Congress to spot overlapping programs funded by different agencies or even the same agency. For instance, Chiles has stated that the HEW Department operates 54 programs that overlap each other and 36 that overlap programs of other agencies.

Another provision of the Chiles amendment would require federal agencies to provide the congressional committees which act on their budgets with statements to show:

The purpose of each of their programs (such as close air support for a combat aircraft);

How the programs relate to specific national needs;

Alternative approaches to solving the problem (such as artillery or attack helicopters for the close air support role);

How each program is progressing from year to year.

Chiles says this approach will give Congress a better handle on government procurement policy.

"The most effective way to control program funds is to control the early steps which lock in the levels of spending that Congress becomes concerned with later," Chiles said. "From weapons to social welfare programs, Congress becomes locked in by not having a clear chance to confirm needs, goals and the search for alternatives.

"It's not enough for Congress to have an ex post facto revelation that we've spent five years and a billion dollars giving birth to another turkey. We need to be informed in advance."

The House version of the budget reform bill does not include a similar provision, and this could spell trouble in conference. Les Fettig, staff director of the procurement subcommittee, said there might be "a possible reluctance by House conferees to include reform of the executive budget process in a bill reforming congressional budgeting procedures."

INDEPENDENT RESEARCH

Proponents of procurement reform face an even tougher battle over commission proposals regarding government payment of a share of industry's costs for its independent research and development (IR&D) efforts—the exploratory research a company does outside its regular contracts.

In the commercial market, companies include their independent research costs (such as research on advanced transistors for color television sets) in the price of their products, along with their other indirect costs, such as electricity and janitorial service.

But companies doing business with the government are unable to charge off these costs directly in their government contracts as they would to a private customer. The contract itself reimburses only their direct costs plus a profit. So the companies must negotiate advance agreements with the government prescribing how much overhead (including IR&D and the costs of preparing bids and proposals for known government requirements) the government should reimburse.

Although industry argues that IR&D and bid and proposal (B&P) costs should bear a direct relationship to the level of a company's business with the government, deductions are made by some federal agencies if a proposed research activity is not related to that agency's specific needs. Congress, in the fiscal 1971 defense procurement authorization bill, prohibited Pentagon payments of IR&D and B&P unless a proposed activity had a potential military application. The Atomic Energy Commission limits IR&D and B&P payments to applications related to specific AEC contracts. But most other agencies pay IR&D and B&P if the application is related to any governmental need.

The procurement commission adopted a compromise approach to the issue, whereby the government would liberalize IR&D and B&P treatment for companies with a majority of fixed-price government contracts while cracking down on such treatment for companies with mostly cost-reimbursable government work. (Under the fixed-price contract, popular during the 1960s, the government negotiates a firm price with a contractor and will pay no more than that even if a contractor's costs exceed that level. Under the cost-reimbursable contract, now in use for most new government procurements, the contractor has all his direct costs reimbursed.)

The procurement commission's presumption was that companies with fixed-price contracts would want to hold down their costs and would not make excessive expenditures on independent research, because that spending would have to come out of their own pockets. So monitoring would not be necessary, and their IR&D and B&P costs would be reimbursed without question as to the amount. Under the cost-reimbursement contract, the reasoning went, contractors might be able to hide excessive IR&D costs within the direct cost totals they were submitting to the government, unless these costs continued to be monitored. The commission's proposal for IR&D and B&P treatment for companies with mostly cost-reimbursable contracts provided that IR&D and B&P amounts not only would be monitored but would be disallowed unless the companies' IR&D and B&P expenditures were relevant to the needs of the specific government agency with which the company deals.

An interagency task force is already a month late in preparing the executive branch's position on the commission's IR&D proposals. But a controversy may take shape in Congress before the Administration's position is even announced.

In a press conference April 19, three leading industry associations—the Aerospace Industries Association of America Inc., the Electronic Industries Association and the National Security Industrial Association—released a study calling on Congress to liberalize substantially government treatment of IR&D and B&P costs.

"Product costs," the study said, "whether for commercial or government work, must reflect all cost elements in a business that is managed intelligently. Product price must reflect all elements of cost."

Although IR&D related to defense contracts had increased from $685 million in fiscal 1968 to $704 million in fiscal 1972, the report said that the increase was more than eaten away by inflation and that actual man hours devoted to IR&D had decreased by 28 per cent over that period.

"No corporation can continue to exist in our economy without ongoing self-initiated research and development," the study said. "The international challenge is great; this is the time to increase IR&D and B&P in terms of real effort to help meet the challenge, not the time for further entrenchment."

Among its proposals for IR&D liberalization, the three groups called on Congress to provide full government reimbursement of a contractor's "reasonable" IR&D and B&P costs and to eliminate all relevancy requirements, such as the relevancy test required by the Defense Department and the Atomic Energy Commission. (Industry feels that if IR&D is recognized as an element of the price of any product it furnishes the government, the companies should be able to direct their government-reimbursed IR&D into any projects they choose, including commercial ones.)

Timing of the industry study was designed to get the jump on an IR&D report to be made by the General Accounting Office (GAO) in the near future.

The GAO has been studying the issue since last October at the request of Sens. Thomas J. McIntyre, D-N.H., and William Proxmire, D-Wis. McIntyre, chairman of the Senate Armed Services Subcommittee on Research and Development, agreed to cosponsor the request in return for an agreement by Proxmire to withdraw an amendment from the fiscal 1974 defense authorization bill that would have cut IR&D by 50 per cent.

The report to be released soon by GAO is an interim one. The full report is not expected until October—a year from the time it was requested. But Proxmire may not wait for the final report before he moves in with another amendment to cut IR&D.

"Sen. Proxmire made his request last October with a view toward moving in the 1974 session," said a Proxmire aide. "The whole issue has been dragging on for years. Proxmire is not about to wait another year." The aide said Proxmire might submit his procurement authorization bill comes up this summer.

ECONOMIC POLICIES

Mr. BENTSEN. Mr. President, every one of us who had had to line up at the gasoline pumps or pay an extra dime for a loaf of bread in recent weeks knows only too well how our lives are increasingly touched by economic developments occurring far beyond our shores. It is no longer an academic abstraction to say that the nations of the world are being pushed toward even greater dependence upon one another economically, as spiralling population and consumption growth rates tax our individual capacities to feed and supply our peoples. It seems to me obvious that we must trade with other nations on the most efficient terms possible, and that we must cooperate with other nations in making the most efficient possible use of the world's dwindling resources. It seems to me equally obvious that our own Government—and the State Department in particular—must devote ever greater time and attention to dealing with the problems which result from this growing economic interdependence. In order to do so, it must urgently develop more sophisticated and reliable data on worldwide supply and demand in basic commodities; improve its projection of longer-term trends in individual countries abroad; and, above all, devise coherent diplomatic strategies to insure our access to vital resources located beyond our borders.

The Congress is doing something about the problem of long-term resource scarcity as it affects our economic growth. I serve as chairman of a new Joint Economic Subcommittee on Economic Growth, and supply constraints on critical raw materials will be a major area of our inquiry.

However, the administration does not seem to share our concern about the urgency of these enormous challenges. Unaccountably, it has delayed for nearly 2 months in filling the crucial position of Under Secretary of State for Economic Affairs, left vacant when William J. Casey resigned to head the Export-Import Bank. The importance of finding a capable person to fill this position has become all the more critical with the resignation of Treasury Secretary Shultz, who played a primary role in global economic policymaking.

Mr. President, it is imperative, in my view, that the President enlist top-level talent to develop—as quickly as possible—a new economic and diplomatic strategy aimed at insuring our access to the basic raw materials and commodities we need for increased production and maximum employment levels. As an essential first step, I urge the President to intensify his search for an able new Under Secretary for Economic Affairs as a matter of highest priority.

RURAL DEVELOPMENT HEARINGS

Mr. HUMPHREY. Mr. President, on May 8, the Rural Development Subcommittee of the Senate Committee on Agriculture and Forestry began hearings on rural development under chairmanship of Senator DICK CLARK.

These hearings address a vital subject for rural Americans, indeed all of us. I hope that these sessions will be useful in developing new information and strengthening the leadership of the Department of Agriculture in this important area.

Mr. President, I ask unanimous consent that my statement, prepared for these hearings, be printed in the RECORD.

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

STATEMENT OF SENATOR HUBERT H. HUMPHREY

As one who led the effort in Congress in 1972 to help revitalize our rural areas, I want to express my concern over the direction of this program.

This is a time when we should learn from the past and do more for our rural people. The Congress had this in mind when it passed the Rural Development Act of 1972.

It does not appear that this program has really gotten off the ground. The Administration has not really appeared to be very much interested in rural development.

What we need is a rural development strategy. There are a whole series of problems which we should be tackling in a coordinated way such as transportation, health care, housing, industrial development and employment.

Much of the legislation needed is already on the books, and what we need is leadership and adequate funding.

To date we have not had the will to both face these problems and do something about them.

I should add that we might look on these problems as investments we can and should make for our own future. We have learned the heavy costs to small communities as the economic lifeblood slows down. We also discover the social and economic costs to our large cities as new arrivals from rural areas look for jobs and living accommodations and contribute to added demands on public services—all of which are in short supply.

We must urge the Department of Agriculture to take the lead the Congress has entrusted to them. This subcommittee will need to follow what happens in these programs. The funding requested has not been adequate to meet the need.

As you know, many provisions of the Rural Development Act have never been funded, such as Title IV dealing with Forest Fire Protection; the small farmer research and extension provisions of Title V; or, the rural development planning grant provisions. All of these programs deserve to be funded in fiscal 1975.

Other provisions have been only partially funded and deserve more funds. Again, the President is requesting insufficient funding for fiscal 1975. Let me review some of the details:

RURAL COMMUNITY FACILITY LOAN PROGRAM

Under this program, insured loans to public bodies and Indian tribes are authorized for the construction of essential community facilities. These are 40-year loans to be made at a maximum interest rate of 5 percent. The fiscal year 1975 budget request of $200 million should be increased to $400 million. These funds are needed to improve facilities in these communities and to attract jobs and industry.

RURAL INDUSTRIAL LOAN AND RURAL ENTERPRISE PROGRAMS

The industrial loan program under the 1972 Act authorizes both insured and guaranteed loans. The 1975 budget request calls for only $200 million covering both insured and guaranteed loans. I have urged that $400 million be appropriated in fiscal 1975 for "insured" industrial loans and that no limit be placed on "guaranteed" loans made for such purposes.

This is a relatively modest price to pay for economic development and rural revitalization.

Under the rural enterprise program, USDA has not loaned any funds since the Act was signed into law in August of 1972. Implementation and funding of this program could help many farmers and low-income rural residents acquire and operate small businesses to help supplement their incomes.

COMMUNITY FACILITY GRANTS

Under this grant program a $50 million expenditure level is authorized. Only $10 million has been requested for FY 1975, and I urge that the full $50 million be appropriated to enable rural communities to meet many community needs essential to attracting jobs and industry.

FMHA WATER AND SEWER GRANTS

I am delighted that the USDA has released $120 million in previously impounded grant funds.

For FY 1975 I suggest that at least $180 million be appropriated. A total of $300 million is authorized by law.

FMHA SELF-HELP HOUSING TECHNICAL ASSISTANCE GRANTS

The 1975 budget provides no funds for the continuation of the self-help housing program. This is a worthy activity in which people build their own homes by the sweat of their brows with the assistance of construction supervisors and group organizers paid for by the FmHA technical assistance grants. This activity should be continued at the full level currently authorized by law: $5 million.

FMHA GRANTS FOR HOME REPAIRS

The 1975 budget does not request any grant funds for the type of housing rehabilitation authorized by Section 504 of the Housing Act of 1949.

These are small grants that were once made by FMHA to elderly couples who need to patch their roofs, bring running water into their kitchens and install a bathroom. I suggest that at least $10 million be appropriated for this purpose.

FMHA FARM LABOR HOUSING LOANS AND GRANTS

The 1975 budget provides no funds for farm labor housing loans and grants. The Budget states that "the Government's role can best be served by other programs." But what other programs are there? Farm workers are the poorest housed of any of our people. I suggest that the maximum currently authorized by law, $18 million, be provided for grants and an equal amount be provided through insured loans.

RURAL ELECTRIC PROGRAMS

Due to the rapidly increasing energy requirements in the nation's rural areas and to the excess inflation which has greatly increased the cost of generation facilities, the capital needed by rural electric systems will exceed $2 billion during fiscal year 1975. PL 93-32 authorized an expanded REA loan program capable of meeting the needs of rural America. Congress saw fit to authorize a program of insured loans totaling not less than $618 million and up to $750 million, and it authorized guaranteed private loans without specific limit.

I recommend that we provide at least $750 million in insured loans this year and that we leave the guaranteed loan provision as it is now.

I encourage this subcommittee to continue to recognize the importance of an adequate Rural Electric Program in furthering rural development.

RURAL TELEPHONE PROGRAM

Here again the Administration did not avail itself of the legislative opportunity provided. The 1974 Appropriations Act provided for insured telephone loans up to $200 million, but operations are being held at the $140 million level. This is also the amount proposed for FY 1975. At the same time the backlog of unmet loan applications has skyrocketed to over $670 million. From my own State of Minnesota, alone, applications on file on December 31, 1973 totaled $35.7 million, including $8.5 million for systems which meet the standards established in the 1973 Act for receiving 2% special rate loans.

The Rural Telephone Bank funds now come almost entirely from non-governmental sources. Except for those borrowers meeting Congressionally specified criteria, the loans are no longer made at a subsidized rate of interest.

I recommend increasing the lending level of both the REA-telephone insured loan program and the Rural Telephone Bank to $200 million apiece for FY 1975. Of the REA insured loans, I believe at least $50 million should be made available to borrowers meeting the criteria for 2% funding.

NATIONAL RESOURCE PROTECTION AND CONSERVATION PROGRAMS

The President's FY 1975 budget request for these programs is totally inadequate. The President is requesting only $118.8 million for all such programs authorized or amended by the Rural Development Act of 1972, and the Agriculture and Consumer Protection Act of 1973, which included the new forestry incentives program. I would urge that Congress provide something closer to $260 million for these programs which include water bank, Great Plains and emergency conservation and REAP programs.

RURAL TRANSPORTATION STUDIES

I note that the FY 1975 budget includes $100,000 for the Economic Research Service to undertake a comprehensive study and analysis of the rural transportation situation, as I had recommended in FY 1974. As you know, ERS has already filed a copy of its interim report in accordance with last year's Appropriations Committee requirement.

I am happy to note that $100,000 is included in the President's FY 1975 budget to continue this important work. In light of the importance of this effort, both the scope and the funding should be expanded to deal with moving people as well as products. I would urge that $200,000 be provided.

While I have focused on the financial needs of these programs, I again wish to return to my earlier point that the Department of Agriculture needs to provide stronger leadership in the Rural Development area.

Adequate financing is an important part of the battle, but the Department needs to display greater initiative. Shaving dollars here and there is not very helpful to our rural people.

Rural development should be looked on as people programs since people are our most valuable resource. These programs are important to open new opportunities since many of our farmers and rural people do not have the sizable resources required today to engage in commercial agriculture. We need also to remember that these programs are largely loan funded and should not be viewed as appropriations in the true sense.

At these hearings we also need to take a look at other programs outside the jurisdiction of the Department of Agriculture. These programs cannot be overlooked in developing a rural development strategy.

I commend the Chairman for holding these hearings, and I hope that they will provide new insights and the opportunity to improve the Rural Development effort.

AN INDEPENDENT, NONPOLITICAL SOCIAL SECURITY ADMINISTRATION

Mr. CHURCH. Mr. President, social security is clearly one of our Nation's landmark achievements—protecting workers and their families from loss of

earnings because of retirement, death, or disability.

In addition, medicare provides valuable protection against the high cost of health care for the aged and disabled.

Today virtually every American family is affected in one way or another by the social security system.

Nearly four out of five persons aged 21 to 64 have disability coverage. About 95 percent of all mothers and children would be eligible for social security benefits if the father in the family should die.

Over 30 million persons receive retirement, disability, or survivors' benefits. And 100 million workers are building protection for themselves and their families by making contributions to the system.

These facts, it seems to me, provide compelling reasons for keeping the social security system free of political pressures.

This point was also made very forcefully at hearings I have conducted, as chairman of the Senate Committee on Aging, on future directions in social security.

These hearings provided valuable background information for my bill, S. 3143, to establish an independent, nonpolitical Social Security Administration outside the Department of Health, Education, and Welfare. As a further means to immunize the program from political pressures, my proposal would prohibit the mailing of notices with social security checks which make any reference whatsoever to public officials.

My bill—the Social SecurityAdministration Act—has generated strong bipartisan support. Twenty-three Members of the Senate have already joined me in cosponsoring this legislation. Additionally, several leading organizations in the field of aging—including the National Council of Senior Citizens, National Retired Teachers Association, American Association of Retired Persons, and the National Association of Retired Federal Employees—have endorsed this bill. Moreover, recent news accounts have provided further persuasive arguments for early enactment of this measure.

Mr. President, I ask unanimous consent that two of these articles by Mr. Bernard Nash, executive director for National Retired Teachers Association-American Association of Retired Persons, and Mrs. Ghita Levine, a writer on aging for the Baltimore Sunday Sun, be printed at the close of my remarks.

Despite these encouraging actions, I am very much concerned about another development affecting this program. Beginning on July 1, the Social Security Administration will pay rent into a new public buildings fund on property it now owns. This will also apply to commercial property it leases through the General Services Administration, which it reimburses.

This practice, I strongly believe, provides another compelling reason to underscore the essential difference between contributory social insurance programs, such as social security, and other operations of the Government. My bill would accomplish this objective by removing the transactions of the social security trust funds from the unified budget.

A recent account by Anne S. Philbin, of the Baltimore Evening Sun, provides an excellent discussion of important issues concerning this rental arrangement.

Mr. President, I commend this article to my colleagues and ask unanimous consent that it be printed in the RECORD.

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

WE MUST MAKE SOCIAL SECURITY SECURE NOW!

(By Bernard E. Nash)

Of all government agencies serving the public today, few have as great an effect upon the lives of older Americans—and, ultimately, upon all of us—as the Social Security Administration.

This single agency, and the lone man who heads it, is responsible for administering the Social Security system itself, plus Medicare and the black lung benefit provisions of the 1969 Coal Mine Health & Safety Act and, as of the start of 1974, the new Supplemental Security Income (SSI) program for the needy aged, and blind and disabled citizens of all ages.

Yet, for seven months last year, this vital agency with its immense responsibility was without a leader!

To protect the public from the dangers of such a vacuum. Sen. Frank Church (D-Idaho) has introduced legislation which would establish the SSA as an independent agency with its own three-member bipartisan board of directors—and thus avoid situations like the one that occurred last year.

It happened this way. In March, Robert M. Ball, who had been associated with Social Security since 1939 and commissioner since 1962, was not reappointed by President Nixon. From then until James B. Cardwell became commissioner in October, the SSA maintained motion mostly by momentum like a rudderless ship in a swift tide.

Fortunately, the agency did not run aground in the fiscal fog. And, while Mr. Cardwell may not possess Mr. Ball's almost legendary reputation for innovative management, he is a career civil servant who comes to his newest assignment with considerable experience in the budgetary area of the Department of Health, Education and Welfare.

An agency with the awesome responsibilities of the SSA cannot afford even a brief loss of continuity, much less an extended one. This concern about lapses of leadership during times of transition is shared by many, including myself, and has resulted in Sen. Church's legislation.

Under it, the three full-time board members would be nominated by the President and appointed by Congress to staggered five-year terms, thus providing continuity during periods of change in the White House. The board would, in turn, appoint an executive director who would function as the SSA's chief administrator; the board would concentrate on policy decisions, reporting directly to the President.

To minimize partisan political considerations, the proposed law provides that no more than two of the board members can be from the same political party. However, the authority to appoint one of the three members as chairman would be vested in the President.

This may sound like a radical new approach, but it isn't. In fact, the original Social Security Act of 1935 established the three-member bipartisan board as the system's first governing body. It was this form of administration which contributed so importantly to the system's early success and the public's justified confidence in it.

Then, in the mid-1940's, a series of governmental reorganizations began which eventually resulted, over a period of some 20 years, in the agency we know today. These changes were designed to "streamline" government and reduce the number of departments reporting to the President.

Perhaps we have come full circle. Once again, the need for change is upon us, and it is ironic that the great innovation before us represents a return to the very beginnings of Social Security. However, it is said that there are times when we have to go back before we can go forward again. For our nation's Social Security system, this is one of those times.

[From the Baltimore Sun, Apr. 14, 1974]

TIME TO SET THE CHILD FREE?

(By Ghita Levine)

Several bills are pending in Washington to change the status of the Social Security Administration. Measures in both houses call for the removal of the SSA from the Department of Health, Education and Welfare and its creation as an independent agency. Instead of a commissioner reporting to the Secretary of HEW, a three-man governing board would report directly to the President.

Senator Abraham Ribicoff (D. Conn.), a former Secretary of the Department of Health, Education and Welfare, and Senator Church (D., Idaho), chairman of the Special Committee on Aging, are co-sponsors of the Senate bill. On the House side, a companion measure was introduced by Representative Wilbur Mills, powerful chairman of the House Ways and Means Committee, who has a large say about the way this country's money is spent.

The Social Security system has become a political tool, these men maintain, and is no longer clearly understood by the public. Blanketed under the administration's largest department, it is easily manipulated.

VITAL STAKE

"I believe it is absolutely essential that the Social Security system be administered nonpolitically and impartially because the program affects the lives of almost every American family, in one form or another," Senator Church said recently. "In terms of sheer numbers, virtually all Americans have a very direct and vital stake in assuring that the integrity of this system is maintained."

Senator Church and colleagues stress the essential differences between the Social Security system and other government operations. Most important is the fact Social Security is financed by direct employer-employee contributions and not by general taxes as other government programs are. The money for the Social Security system is isolated, by law, into trust funds which cannot be used for other purposes.

Of the four Social Security trust funds, Old Age Survivors Insurance, Disability Insurance, Hospital Insurance and the Supplemental Medicare Insurance Trust Fund, only the latter receives money (50 percent of its total) from general revenues. The rest are self-supporting.

DISTINCTION BLURRED

But this fundamental distinction has been blurred by lumping Social Security into the HEW budget. Half of all HEW money is really Social Security trust funds, money other programs cannot touch. Yet this separation is not made clear.

When President Nixon threatened to veto the 20 per cent Social Security benefit hike in 1972, for example, he did so on the grounds the HEW budget was already too high. George Shultz, Secretary of the Treasury, said it was fiscally impossible. Yet the money to finance these increases, while statistically part of the HEW budget, was a matter of separate Social Security funds, much of it already accrued, the rest to be added

by raising the special contribution. It had no real bearing or relationship to the annual HEW budget. In the face of massive opposition, President Nixon was forced to sign the increase into law.

Social Security money is also included in the federal budget as an artificial device to reduce the country's deficit. President Johnson, not Nixon, invented this "unified budget" and it remains a useful administration tool.

Nothing actually changes, the trust funds are still maintained independently, but there is widespread public confusion as a result, confusion over how well protected Social Security benefits are and how separate this group insurance is from other government programs.

NIXON TOOK CREDIT

The pending bills also prohibit the mailing of notices which make reference to any public office holder. This they believe, is another way of removing politics from Social Security. Despite his strong opposition to the Social Security increase in 1972, President Nixon's name appeared on stuffers with the new 20 per cent higher checks, taking credit for the benefit raise. Presidents have announced Social Security hikes since the days of President Eisenhower, opponents are quick to say, but these men supported, not opposed, the increases they announced.

The argument for a three-man governing board answerable to the President to replace a single commissioner who reports to the Secretary of HEW is also the result of administration pressures. Robert Ball, Social Security Commissioner since his appointment by John F. Kennedy in 1952, was asked to resign by President Nixon in midterm, in January, 1973, although this is not how it was made to seem.

"I fail to see how three appointees, two Democrats and one Republican, or vice versa, will make this office less of a political battlefield," said a Social Security spokesman unofficially. This seems a valid argument, although promoting the office higher on the governmental ladder makes good sense.

CHILD GROWN MIGHTY

Since half the money and half the staff (65,000 people) of HEW belong to SSA, there may be no valid reasons to keep it under the department any more. The child has grown as mighty as the parent.

Times have changed since 1939 when the old age survivors program began as a part of a group of similar programs under the Federal Security Agency. In 1953 the old FSA became the swollen HEW. Since then Social Security has grown even more, first with a disability program, then with Medicare in the mid-Sixties and now, in 1974, as guardian for the new federal low-income cash program for aged, blind and disabled.

Perhaps it is time for this fully grown ward, with offspring of its own, to be set free.

[From the Baltimore Evening Sun, Apr. 17, 1974]

SSA ASKS RENT CHARGE EXEMPTION BUT GSA AND JUSTICE DEPARTMENT REFUSE

(By Anne S. Philbin)

Millions of dollars' worth of Social Security real estate, paid for and operated from funds held in "trust" for some 98 per cent of the nation's wage earners, will be dumped into a new Public Buildings Fund July 1.

The Social Security Administration also will begin paying into the fund more than $120 million a year "rent" on buildings it now owns and commercial property it leases through the General Services Administration, which it reimburses.

Various Social Security officials privately dub the prospective takeover and the rental fee called "Standard Level User Charge (SLUC)", both authorized by a 1972 law, as something between "improper use of Social Security trust funds" and the "great ripoff of American taxpayers." Still others seem resigned to SLUC.

ALL FEDERAL AGENCIES

The SLUC charge levied by GSA will apply to all federal agencies July 1, not just to SSA. But because SSA's buildings and operations are paid for out of wage-earners' and employers' contributions to Social Security, in the form of special taxes, SSA thinks it is a special case and should be exempt from the SLUC charge.

However, Arthur F. Sampson, GSA Administrator, and Robert G. Dixon, Jr., assistant attorney general, Office of Legal Counsel, Department of Justice, in an opinion directed to the Office of Management and Budget, disagree.

SSA presently is considering other approaches suggested by John Rhinelander, general counsel, Department of Health, Education, and Welfare, SSA's parent agency.

Louis Zawatsky, deputy assistant commissioner for administration at Social Security, said Mr. Rhinelander has suggested that "SSA either ask Congress to exempt it from SLUC or for a special appropriation for an amount which would equal that part of the SLUC payment which is in excess of the normal maintenance costs SSA is now paying."

An SSA spokesman said that as of December 31, 1973, there was $51.1 billion in the three trust funds; the monies represent contributions from wage earners and employers and are not part of the U.S. Treasury's general fund.

Put another way, the trust funds are in the nature of a contract between individuals and the Social Security Administration: insurance premiums for retirement and survivors benefits, disability and health insurance.

LIKE ANY OTHER AGENCY

Mr. Zawatsky explained that when SSA first appears before Congress at budget hearing time, "we go in like any other agency."

"Congress makes a judgment on our requests, then the bookkeeping starts," he said. "Congress tells us how much money we will be allowed for salaries and expenses and eventually they come out of the trust funds."

David Lancaster, deputy director of operational facilities at SSA, said the Woodlawn facilities and some 70 district offices throughout the country were constructed with SSA trust fund money as authorized under the Social Security Act.

The Public Buildings Amendments of 1972 authorized the establishment in GSA of a Buildings Fund to finance the construction of federal office buildings generally.

"This fund is a revolving fund capitalized principally from the proceeds of the SLUC charge which GSA was authorized to impose on federal agencies occupying building space furnished by GSA," Mr. Lancaster said.

"We are saying that our property, while owned by the United States, is an asset of the SSA trust funds. But GSA's position is that 'the source of funding for construction of Woodlawn facilities and district offices is not germane to the issue.'"

Since early 1973, HEW has sought an exemption from the SLUC charge for SSA trust fund facilities as well as those built or in the process of building under the "purchase contract" financing method, which was also a part of the 1972 law.

SSA STAND

SSA has maintained that its space was not furnished by GSA, and the services it receives from GSA, such as cleaning and protection of its buildings, are reimbursed on a cost basis.

Mr. Lancaster said that SSA has been saying that "the takeover of our real estate and the imposition of the user charge is improperly diverting trust properties to general governmental purposes."

But since May 1, 1973, Mr. Sampson has refused to grant SSA an exemption although the 1972 law provides that the Administrator of GSA may do so "if he determines that such charges would be unfeasible or impractical."

SEEKS LEGAL OPINION

When Caspar W. Weinberger, HEW Secretary, wrote Roy Ash, director, OMB, in September, 1973, to seek OMB's assistance in resolving SSA's disagreement with GSA on the SLUC charge, OMB referred the matter to the Attorney General.

On December 20, 1973, Mr. Dixon replied that SSA buildings financed through the trust funds are space furnished by GSA and subject to SLUC and that HEW should seek an appropriation from Congress for excess charges to the trust funds.

Mr. Lancaster said the GSA-imposed SLUC charge includes a margin of profit. "This means Social Security will be paying more to operate its facilities under the GSA SLUC plan than it would cost to operate the same facilities under commercial market conditions."

TO AFFECT NEW BUILDINGS

Asked if the operation of the new Public Buildings Fund will affect the two new buildings planned by SSA for construction at Woodlawn and Metro West in downtown Baltimore, costing about $204 million. Mr. Lancaster said it could, but he didn't know how much.

A check with the Office of Management and Budget produced an answer as to how much money all federal agencies will be competing for, come July 1, under Public Law 92-313.

An OMB spokesman found the answer on page 776 in the appendix to the President's budget. It says that "the total 1975 program level for acquisition of new facilities is estimated at $275 million (total project cost) including $25 million by direct federal construction and $250 million in private investing financing for 1975."

In effect, then, this would mean Social Security's Baltimore building plans will be competing with all other federal agencies for almost 75 per cent of the total 1975 federal construction budget.

INDIANA UNIVERSITY EDUCATOR RETIRES

Mr. HARTKE. Mr. President, one of Indiana's greatest legal educators and former dean of the Indiana University Law School, Leon Wallace, has decided to retire after nearly 28 years as a teacher and 15 years as dean.

In reflecting on the change in legal education during his distinguished career at Indiana University, Dean Wallace believes the quality of the student has not changed. The major change is in who gets a chance to pursue a legal education.

I have mixed emotions about the retirement of one of Indiana's leading educators. I am happy that he will now be able to pursue his interests outside of the school, but I am sad that Indiana will be without a giant among its distinguished faculty.

Mr. President, I ask unanimous consent that an article appearing in the "Bill of Particulars" published by the Indiana University School of Law Alumni Association be printed in the RECORD.

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

LEON WALLACE ENDS IU CAREER

Present day career consultants couldn't have made a more natural career choice for

Leon Wallace than the selection he made for himself.

In 1926, after Wallace finished his undergraduate education—which had included two years at University of Illinois and two years at IU—he and his bride went to San Francisco for him to work for Rand McNally as a production manager. Four years later, however, he gave in to the attraction he had always had for law, so he returned to Bloomington to enter law school.

This May, Wallace, having reached the age for mandatory retirement from teaching, will leave the IU Law School with a career record that has included two and a half years as a student, two years as a part-time teacher, 28 years as a teacher, and 15 years as dean.

Since 1966 he has been the Charles McGuffey Hepburn Professor of Law.

Wallace's father was a lawyer in Terre Haute so the young man who was later to be IU's law dean, had always thought that he would eventually be a lawyer.

When Wallace finished law school in January 1933, Dean Bernard Gavit offered him a full-time faculty position. Wallace thought he should return to Terre Haute to enter practice with his father, so for two years he limited his teaching to three classes, which he taught one day each week.

Wallace feels that the experience he gained in his 13 years of general practice in Terre Haute gave him a greater insight into the way the law works. He was then able to share that insight with his law school students when he joined the faculty on a full-time basis, beginning in 1945.

In his early years of teaching, Wallace continued to prepare briefs, but usually not for his own cases. Instead, he explains, he was a lawyer's lawyer, preparing briefs for lawyers who would argue cases before the Indiana State Supreme and Appellate Courts.

In considering the importance of practice experience for law teachers, Wallace feels his own work in his father's practice was helpful, but he points to the lack of success that some states have had in setting practice experience requirements for law teachers.

Wallace thinks that other kinds of experience—such as clerkships—can be equally instructive for law teachers.

In thinking about the kinds of persons who taught law 30 years ago, Wallace says that the same quality of teachers existed then as today. He goes on to say, "When I came here IU didn't have a national reputation, but it had some excellent teachers."

When Wallace started teaching, he had considerable practice experience in property law, so it was natural that he teach in that area. However, he was also needed to teach labor law, so he had to learn about that.

In discussing teaching specialties, Wallace points out that the whole field of law has expanded so much in the past 30 years that the degrees of specialization have had to increase.

In reflecting on other similarities between now and 30 years ago, Wallace thinks that the quality of student has not changed. He regrets, however, that legal education has become so popular that many persons who would be good lawyers now cannot get into law schools. "Thirty years ago they were given a chance to try," but, he goes on to explain, "That is no longer possible."

The most noticeable change in student behavior, in Wallace's view, has been the increased tendency for students not to go to classes. He cannot help but compare today's class cutting with the practice of earlier years when law teachers established a maximum number of class cuts they would allow each semester.

As he thinks about changes in legal education, Wallace talks about the rises and falls of popularity in specific areas. He thinks clinical courses may now be on the wane as students realize that they allow them fewer chances to take "substantive work" that students will need when they get out. Wallace says, "More students realize now they need to take the tough courses."

Wallace points out that one of the "tough" courses, Property Law, is technically optional, but it is still taken by about 95 percent of IU's law students.

Wallace supports the need for law students to have interdisciplinary interest: "A good lawyer should be more than just a technician. He needs to work with people in other disciplines."

In surveying the increased number of courses in law schools, Wallace points out that more courses have had to be added because of the increase in federal regulation.

The former dean also sees that the deanship has changed in the past 30 years. He observes the trend currently is to hire administrators to carry on some of the details previously handled by the dean. He also recalls that 30 years ago the myth existed that the dean was a dictator "who carried the school around in his pocket." In his 15 years (1951–66) as dean, Wallace found that was never true. He recalls that he always wanted to find out what his faculty wanted.

As Wallace reflects on his years at the law school, which included building and occupation of the Law Building, he feels he has gained his greatest satisfaction from watching what has happened to his former students. Within recent months, for example, he has celebrated the elevation of two former students—Allan Sharpe and William I. Girard—to the federal bench.

Wallace is less certain about what the future years will be for him. He hopes to continue consultantships on such cases as the Indiana/Kentucky boundary dispute that he has worked on since 1966, but he doesn't have definite plans for any major projects.

His life with his wife will probably focus less on law and more on the activities of his children—a son who practices law in Milwaukee, a daughter in Bloomington, and another daughter in California—and his grandchildren.

HUMPHREY PROPOSES WORLD FOOD ACTION PROGRAM

Mr. McGEE. Mr. President, today my distinguished friend and colleague, the junior Senator from Minnesota (Mr. HUMPHREY) delivered an innovative and far-reaching address before the Rennselaer Meeting on the World Food and Energy Crisis being held at the United Nations.

In his address, Senator HUMPHREY outlined his proposal for a world food action program which would launch important new initiatives for the United States on four broad fronts: expanded food aid; a program of food reserves; an improved system of fertilizer distribution and production; and an increased emphasis on agricultural development.

As the world moves rapidly into one international economic and political crisis after another, Senator HUMPHREY stands in the forefront of those searching for effective means of coming to grips with these problems. His perceptions and grasp of the ramifications for all mankind, should we fail to meet these problems effectively, are acute. He has initiated a vital dialogue, which I hope will be expanded nationwide, on the widening gap between the rich and poor nations of the world which is breeding starvation, death, and a political instability of which all peoples pay a heavy price. He has called upon that which is good and compassionate within the American people in an effort to mobilize an effective assault on these problems. All he asks is that each and every one of us reach out our hands to the millions of people in the poor countries of the world, struggling for survival on a day-to-day basis.

Senator HUMPHREY has always been known for his strong sense of human compassion. However, he has always translated this human compassion into effective action and creativity. He is performing an invaluable service not only to the people of this Nation, but the world community as well.

As my distinguished friend noted in his address, he will be introducing his proposal for a world food action program in the next few days. I would urge my colleagues to join with him in this effort.

I ask unanimous consent that his address be printed in the RECORD.

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

A WORLD FOOD ACTION PROGRAM

(Address by HUBERT H. HUMPHREY)

We have been waging a battle to improve the quality of life in the developing world for 25 years. Today this battle against global poverty and disease is being lost.

As the world's military powers seek accommodation to reduce the risks of nuclear holocaust, new dangers to political and economic stability have arisen.

The threat of widespread famine is on the increase. Fertilizer shortages are growing and the affluent continue to consume a disproportionate amount of the world's food resources.

Worldwide inflation continues to take a heavy toll on the developing and the developed countries alike. This erodes political stability and depletes what little hard currency the poor nations have amassed.

The rich and poor nations are in danger of entering a new era of confrontation fueled by economic desperation. All realize that they are vulnerable to economic blackmail. This situation is causing a breakdown of the traditional rules of the game governing access to supplies and raw materials.

We are today at a crossroads of history comparable to the years following the end of the Second World War.

Today, as before, our nation faces a crisis of maintaining our growth in relative affluence while others face a crisis of sheer survival.

Today, as before, we must fashion an adequate response to the plight of a great mass of people—over one billion people in more than 30 countries who are the worst victims of the doubling and trebling of world food, fuel and fertilizer prices. These most severely affected countries might be described as a new Fourth World.

The bill the developing countries as a whole must pay in increased petroleum prices is an estimated $10 billion. Food and fertilizer price rises are expected to add an additional $5 billion.

And today, as before, the American response to these global problems must draw upon what is best in our people. We must recognize the interdependence of our security with the well-being of all mankind. And the progress of Americans can flow from the progress of others, as it has with the impressive postwar improvement in Europe.

On the other hand, if the opportunity for economic progress is denied one fourth of the human race, no institutional structure, no concept of world order, no "structure of peace" can long survive.

It is imperative that our leaders recognize this essential fact of life.

President Nixon has recently submitted an expanded foreign assistance program.

At the recent U.N. General Assembly special session on raw materials and development, Secretary Kissinger announced our intention to provide emergency assistance, in a cooperative framework, to the stricken Fourth World.

Most recently, we offered an emergency proposal at the U.N. urging the creation of a $4 billion special fund to which the U.S. would contribute its "fair share." This fund would supply additional assistance to the most severely affected to enable them to buy fuel, fertilizer and other essential commodities.

Though well-intentioned, American efforts thus far lack specific financial commitments which the Fourth World expects and needs.

I have come here today to discuss a specific proposal—a proposal which I believe could prevent chaos and suffering. It will allow our nation to fulfill its humanitarian obligation to the world community.

It will respond to an urgent request of the recent U.N. session for "an emergency relief operation to provide timely relief to the most seriously affected developing countries."

It is not a program of charity, for charity is not the way to develop human potential and foster a viable world order.

It is, rather, a program designed to lead the world back from the precipice of famine. It will afford millions with the opportunity to go beyond mere survival and develop the potential of their economies and their lives. It is also a program which recognizes the urgent need to develop new standards and institutions to ensure access to supplies of essential commodities to all nations, rich and poor.

Today I am proposing a World Food Action Program which involves important initiatives for the United States on four broad fronts: expanded food aid, a program of food reserves, an improved system of fertilizer distribution and production and an increased emphasis on agricultural development.

The United States is a country blessed with great industrial and military power. But this power shrinks in magnitude compared to the power of food. We are the world's breadbasket. Our natural tendency to produce food in abundance gives us today enormous power over the lives and fortunes of a majority of the world's people.

Used wisely, America's food power can be a force for enlightened and compassionate ends. Used only for narrow, short-term advantage, it becomes a precious resource squandered in the face of great human suffering.

I believe our contribution to the growing economic crisis in the Fourth World should be primarily in the form of food and the means and technology to produce it. I propose a food action plan in the hope that it will serve as a model for initiatives by other nations who can afford to be generous at a moment of growing need.

Twenty-five years ago Europe was threatened with economic and political disintegration. The United States responded strongly and generously in the face of crisis and despair. The Marshall Plan can again serve as an example of effective assistance to those in distress.

Today, when the lives and well being of hundreds of millions in Africa, Asia, and Latin America are at stake, we can do no less. We need to respond in the same bold and generous manner.

We cannot wait for the World Food Conference in November. Time is running out for millions.

My four point action program includes the following provisions:

First, food aid must be expanded.

At a time when world needs have reached crisis proportions, our food aid shipments have been slashed severely. And a significant part of our availabilities go for security related programs in Southeast Asia.

All nations must immediately takes steps to expand their food production. But this simply is not enough. The food surplus nations must also set aside a portion of their increasingly profitable food exports for transfer to the poorest nations. And the transfer must be on terms poor nations can afford. Present world food prices are simply beyond the financial means of the poorest nations.

Specifically, I propose a three-year emergency food aid effort. It would be aimed at the nations hardest hit by food and energy price rises and fertilizer shortages. It would include the following steps:

The United States will offer the sale of at least $1 billion worth of food annually at today's market price. Countries purchasing this food will pay the going market price of July 1, 1972 commercial terms.

The difference between today's higher prices and the July 1, 1972 price would be in the form of long-term concessional credits.

This American proposal should be conditioned on a comparable offer from other nations with a major food surplus—notably the Canadians and Australians. Their fair share of the total aid effort would be proportionate to their share of world grain exports in recent years—about 70% from the U.S., 20% from Canada and 10% from Australia.

I believe this new program of expanded food aid should be matched immediately by reciprocal assistance measures on the part of the oil exporting nations.

Recent oil price increases and energy shortages have already begun to decrease world food production. Therefore, a decline in oil prices will help spur world food production.

For the very poorest nations and those already suffering famine, we should expand our PL 480 Food for Peace sales program on terms softer than the proposal I have just made.

The PL 480 food grants for the nutritionally vulnerable and for food-for-work programs have also been cut dramatically. Approximately 20 million people have been removed from these important programs. We must move to expand this grant food aid program.

Our much diminished PL 480 program must be restored at least to the 1972 commodity levels.

The United States is a major contributor to the international World Food Program under the direction of the United Nations. This program carries out vital emergency relief and nutrition activities.

Sharp food price increases have reduced the availability of food for this international effort. Many worthwhile new projects have been abandoned. The United States, which has presently pledged to provide $140 million in food and cash in 1975–76, must increase its own pledge to at least $200 million. We must encourage other nations to increase their contributions so that the commodity level can be restored to the 1972 level.

Again, this should be looked upon as only a minimum effort to deal with an emergency.

People must understand that the severe world food crisis will not miraculously disappear even if we have the bumper harvests anticipated for this year. Last year we had record crops. Despite this fact, world food reserves are today dangerously low. They are approaching a level of supply which could last only three weeks.

Second, we must establish a food reserve program.

We have a moral obligation to establish a buffer against the threat of mass starvation. We simply cannot rely on ideal weather and no major crop diseases to assure a safe supply of food.

The world's leading food producer and exporter—the United States—has no national food reserve policy. We blithely assume all will work out for the best.

Grain reserves provide an important measure of stability in the world food economy. They also ensure the capability of the international community to respond when droughts or crop failures occur.

It is essential, then, that the U.S. Congress act quickly to pass the legislation I have proposed establishing a national food reserve policy.

Closely related to a reserve policy is the need to assure fair prices to farmers for their products. It is a fair price which is the incentive for production. The existence of sizeable reserve stocks must not be used to deny farmers of a reasonable return on their investments and efforts.

The international community must also establish a new global food reserve system. FAO Director-General Boerma's plan for the international coordination of national food reserve policies must be given concrete form at the World Food Conference, and then implemented without delay.

Third, world fertilizer production must be expanded.

The global shortage of chemical fertilizers is already causing disastrous consequences in the developing world. This is especially true in South Asia. Not only have prices soared, but many poor countries have been unable to purchase required amounts at any price. Japan, the United States, and European nations have reduced their fertilizer exports because of their domestic needs.

Every dollar's worth of fertilizer denied a country such as India now may well force it to import five dollar's worth of food next winter. This is an economic loss that these nations and the world can ill afford.

The United States and other fertilizer exporting nations must take steps to ensure that critical fertilizer needs in the developing countries are met without endangering domestic agricultural production.

We must restore our fertilizer exports to reasonable levels, both through commercial channels and our aid program.

This will require expansion of fertilizer production facilities. If necessary to insure this expansion, the Government should stand ready to offer credits and tax incentives.

More fertilizer needs to be sent to developing countries this summer and fall. The industrial countries need to consult urgently on the means for doing so.

We must ask the American people to reduce the non-critical and non-farm uses of fertilizer which now total nearly 3 million tons of nutrient—well above the anticipated fertilizer deficit in Asia this year.

A major cooperative effort is needed to increase the efficiency of production in existing developing-country nitrogen fertilizer plants. Many are now producing at below two-thirds their capacity. Additional technical assistance and spare parts will be necessary from the United States and other industrialized nations.

It is now clear that the comparative advantage in nitrogen fertilizer production lies with those nations with abundant energy supplies. The United States and other industrial nations should assure the oil exporting nations—which are blessed with natural gas, the feedstock of nitrogen fertilizer—that we will share with them our technologies to open new supplies of fertilizer.

The World Bank could take the lead in coordinating this effort.

The battle against global hunger cannot be won without abundant supplies of fertilizer at reasonable costs.

Fourth, agricultural production in the food deficit nations must be increased.

The developing countries constitute the world's greatest reservoir of untapped food production potention. Vast increases in food

production are possible in these nations. These increases can be achieved at a far lower cost in the use of energy and fertilizer than in the agriculturally advanced nations.

The realization of this potential is crucial if the world's food supply is to grow rapidly enough to meet the needs of population growth and rising affluence.

Special emphasis needs to be placed on effectively involving the world's small farmers in the effort. A generation of experience has taught us the benefit of intensively cultivated small farms. They more than hold their own in comparison with large farms in output. They also supply jobs for the growing legions of the unemployed in the developing world.

This approach to rural development contributes greatly to the motivation of smaller families that is the prerequisite of a major reduction in birth rates.

Agricultural development will not come easily.

It will require supplying farmers with education, credit, extension services, fertilizers, improved seeds, appropriate machinery, and water supplies.

It will require expanded multilateral and bilateral economic assistance programs.

It will require expanded world research efforts to discover even more productive seed varieties.

It is imperative that the U.S. Congress act quickly to approve the U.S. replenishment of funds for the International Development Association. The World Bank, under the leadership of Robert McNamara, is increasingly focusing its efforts on this area of greatest need—rural and small farm development.

Special attention in the developing countries must be given to the problems of food spoilage and waste. Poor storage, inefficient marketing practices and inadequate facilities result in massive losses of food and fiber. A special effort, perhaps led by the FAO, to reduce global food losses is vital.

At the same time, we cannot ignore the different but very real form of waste occurring in the more affluent nations. Each day, enough uneaten food is scraped from restaurant and home dining room plates to sustain millions.

The Food Action Program which I have outlined would begin to meet the urgent need for immediate international cooperation to avert famine.

It would also do much more. It could establish new standards by which nations deal with global resource scarcities. Many of the fundamental questions raised by these shortages are present also in the case of food.

We should use American food to set a new standard for international economic conduct. We have too much at stake to miss the opportunity to see that there are rules guaranteeing access to supplies and markets for all countries.

One of the most important components of the food action program I have outlined—expanded food aid—could be implemented in a matter of weeks.

The legislation giving the President the authority to act already exists in our PL 480 legislation.

Although Congressional approval is not necessary, Congressional consultation is imperative.

In the coming days I will introduce a World Food Action Resolution with my colleagues. This resolution will urge the President to take immediate action in expanding our food assistance to meet the growing crisis of human suffering in the developing world.

Some have suggested that the American people will not support an expanded food aid program.

I do not believe this has to be the case. The American people have always responded generously in times of crisis. We at least need to ask them. We cannot afford to reach such a conclusion without an informed national dialogue. The American public has only recently begun to hear of the world food crisis.

One frequent objection to increase government food aid is that domestic prices will tend to be pushed higher. I do not believe this to be the case. We can provide expanded food assistance in the manner I have suggested—without price increases.

This can be accomplished by limiting our sales on the commercial market. We must reserve part of our supplies for sales to the poorest countries threatened by famine on cash and credit terms that they can afford to pay. This food program—to save lives and create an environment conductive to peace—will cost less than three Trident submarines.

In the final analysis, a fundamental moral choice cannot be evaded. Can a nation whose nutritionalists proclaim obesity to be a leading health problem share its bountiful food resources with those whose very survival is at stake?

When our own life styles affect the basic well-being of others, can we avoid making the necessary minor adjustments?

A decision by Americans to eat one less hamburger a week would make some 10 million tons of grain available for food assistance.

It is also in the self interest of the United States to take the lead in developing this program. Starvation and hunger are the breeding grounds for political instability and economic chaos.

Americans do have a stake and a vital interest in social progress. As Pope John said: "Development is the new name for peace."

The countries we would be helping provide vitally needed resources for all nations—particularly the industrialized and more affluent nations.

While I urge my country to take the lead in this effort, I would expect others to follow.

The United Nations has already set the stage for the cooperative effort in meeting the crisis of the Fourth World.

If the nations of the world confront the global food crisis head on, we shall be taking a step toward saving millions of lives in peril.

By undertaking this food action program, the human community shall be reaffirming its ability to cope with a world crisis.

If we do not take the initiative now and begin defining our future, we should not be surprised when tragic events define it for us.

SHOULD INTERSTATE HIGHWAY 70 BE EXTENDED?

Mr. CANNON. Mr. President, there is one glaring deficiency in our present national highway system that I feel needs priority attention. Presently Interstate 70 spans the country in an east-west direction from Washington, D.C., area only to dead-end in the sagebrush at Cove Fort, Utah. There Interstate 70 travelers are forced to go a considerable distance out of their way along north-south Interstate 15 in order to connect with a major highway to bring them into the northern Nevada and northern California area.

I scheduled hearings a few years ago on the feasibility of a proposal to extend Interstate 70 along the U.S. Highway 50 corridor from Cove Fort across Nevada and into Sacramento. The hearings demonstrated an obvious need for the proposal, with strong support from the residents of Nevada and California and from the traveling public. U.S. 50 is a transcontinental primary route and would be the most logical and feasible direction for connection of Interstate 70 between Utah and California.

There are a number of strong arguments in favor of extending Interstate 70 along the U.S. 50 route. Representatives of the National Highway 50 Federation, with whom I met this week, outlined just five of the points.

Mr. President, I ask unanimous consent that the National Highway 50 Federation document dealing with the extension of Highway 70 be printed in the RECORD.

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

WHY SHOULD INTERSTATE HIGHWAY 70 BE EXTENDED?

1. Interstate Highway 70 is the only interstate highway in the United States that serves such a major portion of the Nation that dead-ends without junctioning with a similar highway going in the same direction. There isn't even a secondary road that will allow traffic to continue on west from this terminal point to the West Coast. All traffic using Interstate 70 is east-west oriented and should be allowed to continue to flow in this direction rather than be diverted.

2. There is only one east-west Interstate Highway that serves the West Coast between Portland on the north and Los Angeles on the south, a distance of 1,001 miles.

3. In California, the population is centered around two key areas—Los Angeles in the south and the San Francisco-Bay Area in the north. There are actually four Interstate Highways crossing the border of Southern California on an east-west direction while the San Francisco Bay Area has only one—Interstate 80. A second such artery is definitely needed to better serve the San Francisco Bay Area.

4. In California there is a definite need at the present time for a four lane highway from Sacramento through Placerville to South Lake Tahoe and on into Carson City, Nevada. Annual daily traffic counts in excess of 40,000 cars per day occur on several portions of this route. At the present time many parts of this road are very narrow and the accident rate is high. The present flow of traffic dictates that this road is going to have to be four laned as soon as funds become available. For this reason alone this section of highway should be included in any future major highway program.

5. There is definite business need for a direct route on the Interstate System between Colorado and the San Francisco Bay Area. There is not an Interstate Route at the present time that links these two areas. Interstate Highway 80 goes north of Colorado through Wyoming and the next Interstate Highway south is Interstate 40 going through Albuquerque, New Mexico from Los Angeles. The logical route that would connect the above two mentioned areas would be the extension of Interstate Highway 70 into San Francisco.

Mr. CANNON. Mr. President, the National Highway 50 Federation feels that today's highway and building maintenance program should be expanded, that the Highway Trust Fund should be used solely for highway purposes. I share the Federation's concern that a heart of the national transportation system is an adequate and safe highway network, and I also recognize and understand the mass transit needs of our larger urban areas and the environmental concerns of our ecology interests. Because of the many unmet highway needs in Nevada,

whose economy is based on tourism travel, I have consistently supported authorizations for highway construction. I firmly believe, though, that the groups representing highway, mass transit and ecology interests should work out a mutually satisfactory transportation system to meet our future needs.

GAO ASSESSES PROJECT FIND

Mr. CHURCH. Mr. President, one of the major challenges to new programs for the aged is locating and informing the elderly affected.

In recent years—with the establishment of food assistance programs, old-age assistance benefits and now the supplemental security income program—the problem of locating these elderly has caused considerable concern to me as chairman of the Senate Committee on Aging.

One of my chief worries is that those elderly who are hidden; that is, those who are homebound, immobilized, and without sufficient contact with the outside world are not benefiting from the programs under which they could be eligible simply because they do not know about the program. One method of finding these isolated individuals is a door to door, individual search.

Recently such an outreach has been attempted across the country to find and assist elderly in applying for benefits under the new supplemental security income—SSI—program. Project ALERT is an outreach program conducted by the Red Cross of America, national aging organizations, and individual volunteers. It is funded by the Administration on Aging. The aim of ALERT is to reach persons not now on public assistance rolls and assist them in determining their eligibility and applying for SSI benefits. Because of the somewhat more liberal eligibility standards for SSI, it has been estimated that SSI could reach an approximate 6.3 million persons while the previous programs for the aged, blind, and disabled reached only about 3.3 million. A precedent for this outreach effort exists.

In March of 1972 Project FIND, a major outreach campaign to enroll the elderly in Federal food assistance programs was implemented. Through the cooperation of the Social Security Administration, Office of Economic Opportunity, the Red Cross, Department of Agriculture, the White House Domestic Council's Committee on Aging and national aging organizations, the project estimated that their target population of elderly to find and assist was approximately 3 million persons. Regretfully, the campaign resulted in helping only about 6.3 percent or 190,000 elderly to sign up for the food assistance programs. The inability to enroll elderly onto the rolls was due to administrative problems, failure of volunteers to make home visits and the shortness of the project time.

My concern for achieving a better system in which to identify our most needy elderly led me to request the Government Accounting Office—GAO—to conduct a review of Project FIND. GAO recently presented their report to the Committee on Aging which is available upon public request from GAO, and I believe the findings are significant and directly relevant to current efforts underway in Project ALERT. Mr. President, I ask unanimous consent that the GAO summary of their report of Project FIND be printed in the RECORD as follows:

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

[Comptroller General's report to the Special Committee on Aging, U.S. Senate]

EFFECTIVENESS OF PROJECT FIND—HELPING THE ELDERLY OBTAIN FOOD ASSISTANCE AND SERVICES B–164031(3)

WHY THE REVIEW WAS MADE

The Chairman, Senate Special Committee on Aging, requested GAO to report on Project FIND, a campaign to contact and enroll eligible elderly citizens in food stamp and commodity distribution programs.

GAO did not request formal comments on this report from any agencies or groups involved but did discuss its findings with officials of organizations which carried out the project.

FINDINGS AND CONCLUSIONS

Project FIND began in August 1972 with a mailing of brochures to selected elderly persons. The brochures described benefits and eligibility criteria for food assistance programs.

If they thought they were eligible for assistance, the elderly were to contact local food assistance offices or return an enclosed card if they needed more information.

The American National Red Cross provided volunteers to contact and assist persons who returned cards.

Direct Federal cost of the project was about $2 million. Originally, the Red Cross signed a $4.4 million contract with the Office of Economic Opportunity to assist in carrying out the project. The contract later was reduced by $1.5 million when the number of cards returned was substantially less than anticipated.

Of the remaining $2.9 million, only $1.4 million was obligated during the project. The Red Cross is using the remainder to fund another outreach campaign, the Supplemental Security Income Alert. (See p. 7.)

Effectiveness in obtaining food assistance for the elderly—The principal objective

The target population for the project was about 3 million persons, 60 years of age or older, living on incomes below the national poverty line and eligible for, but not receiving, Federal food assistance. In total, about 1.4 million cards were returned by persons indicating they need more information.

The Department of Agriculture estimated that 190,000 elderly (about 6.3 percent of the target population) were enrolled in Federal food assistance programs as a result of the project. However, this estimate might be overstated since it includes elderly persons enrolled in food assistance programs as a result of efforts other than Project FIND. (See pp. 10 to 12.)

For the locations included in GAO's review—Cuyahoga County, Ohio; Los Angeles County, California; Pinellas County, Florida; King and Snohomish Counties in Washington; and the District of Columbia—the number of elderly, estimated to have been enrolled in the food stamp and commodity distribution programs as a result of the project, represented a small portion of the estimated elderly poor in these areas. (See pp. 12 and 13.)

Effectiveness in obtaining other services for elderly—A secondary objective

GAO found that volunteers had identified only a small number of elderly who needed other services, such as transportation, medical services, employment, homemaker services, home-delivered meals, welfare services, and clothing.

Project volunteers contacted over 67,000 persons in response to cards the elderly returned, but they reported only about 830 persons needed services other than food assitance.

When volunteers identified elderly persons who needed other services, they referred the cases to local agencies which could provide assistance but generally did not follow up on referrals to insure that services were provided.

Federal agencies administering programs for the elderly were not advised of gaps in existing programs where needed services were not available.

Problems encountered during Project FIND

Originally, the project was to be completed within the 3 months from August 15 to November 15, 1972. Although the completion date was extended to April 30, 1973, Red Cross volunteers contacted the majority of elderly between August and December 1972.

Because of the limited time, they reached most persons by mail or telephone rather than through home visits. As a result, many elderly persons who could have benefited from home visits might not have received needed help. (See pp. 14, 15, 17, and 18).

The project was scheduled at a time when many community volunteers were involved in local fund raising and election campaigns.

Moreover, in the period selected for the project, an increase in social security benefits became effective making many elderly ineligible for Federal food assitance. (See pp. 18 and 19).

Other factors affecting the success of the project included incorrect eligibility information in brochures mailed to the elderly residing in some States, limited training provided to volunteers, and a lack of effective coordination between volunteers and food assistance office staff. (See pp. 20 and 23).

Also, many elderly persons may not have received help because they lived in inner-city areas which volunteers were reluctant to visit or in areas in which transportation was not available. (See pp. 23 and 24.)

Problems of the type encountered during Project FIND could be reduced in future projects designed to contact large groups of citizens.

This could be achieved through better advance planning, including consideration of other activities and factors which could affect the impact of the projects, and reasonable time for completion. GAO believes also that procedures for monitoring and evaluating such projects should be developed in the planning stage.

AGENCY ACTIONS AND UNRESOLVED ISSUES

As agreed with the Chairman's office, GAO did not request formal comments from the groups that participated in Project FIND but did discuss its findings with those that played major roles. (See pp. 27 to 31.)

Generally, these groups said that the project was a unique and successful effort considering the magnitude of the task and the tight time frame. They said that cooperation was good considering the number of groups involved.

Several groups pointed out that the number of persons reported as enrolled—190,000 made the project a success in that the target population and the expected rate of return of cards by the elderly were unknown at the outset of the project. They believed that the number enrolled as a result of the project might have been larger than 190,000. (See p. 28.)

Some groups felt that the only objective of Project FIND was to provide food assitance; others stated that a secondary purpose was to

identify other critical needs of the elderly. However, reporting these needs to Federal acencies on a community-by-community basis was not to be a part of the project.

Since Project FIND was a unique cooperative effort, some groups believed that using evaluation and feedback would have helped in planning future efforts.

S. 1539, ELEMENTARY AND SECONDARY EDUCATION AMENDMENTS

Mr. EAGLETON. Mr. President, I am pleased to have worked with Chairman PELL and Senator BEALL in the development of title VII of S. 1539, reading improvement programs, which seeks to respond to serious problems of illiteracy in the United States.

Just last week, the National Center for Health Statistics released a report indicating that approximately 1 million, or 4.8 percent, of the Nation's 23 million young people aged 12 to 17 are illiterate. I ask unanimous consent that there be printed in the RECORD the text of an article by Eric Wentworth detailing the findings of the center which appeared in the Washington Post on May 4.

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

READING TESTS SHOW WIDESPREAD ILLITERACY

(By Eric Wentworth)

About one million American youths 12 to 17 cannot read as well as the average fourth grader and can thus be called illiterate, according to a new government report.

Reading test scores were worse among blacks than whites, boys than girls, and youngsters from low-income families with less-educated parents than those from more fortunate backgrounds, the report showed.

The report, released by the National Center for Health Statistics, provided new evidence that the United States has a serious literacy problem despite the more than $40 billion spent yearly on public school operations.

The report's findings were based on brief literacy tests administered to a selected sample of 6,768 youths from 1966 through 1970.

The tests were part of the national center's health examination survey, a major quest for data on Americans' physical and mental health. Later reports will explore links between illiteracy and health problems.

The sampled pupils were asked to read seven short paragraphs of 40 to 50 words and answer three multiple-choice questions on each. They were considered literate if they could give correct answers for four of the paragraphs.

One paragraph read: "It was spring. The young boy breathed the warm air, threw off his shoes, and began to run. His arms swung. His feet hit sharply and evenly against the ground. At last he felt free." The questions concerned the season of the year, what the boy was doing, and how he felt.

The 12-to-17-year-olds whose scores fell below what could be expected from the average child beginning fourth grade were considered illiterate. Fourth-graders are normally 9 years old.

After analyzing the test results, survey officials estimated that 4.8 per cent of the nation's nearly 23 million youths in the 12–17 age bracket, extending all the way through high school grade levels, can be termed illiterate. That would amount to about 1 million young Americans.

More specifically, the report showed:

Among black youths as a whole, the illiteracy rate is 15 per cent. For white youths, it is 3.2 per cent.

For males of both races, the rate is 6.7 per cent, while for females it is 2.8 per cent.

For black males alone, the rate is a dramatic 20.5 per cent, or one in five. On the other hand for white females alone, it is 1.7 per cent, or less than one in 50.

The report also showed, as might be expected, that illiteracy rates are highest among youths whose families rank at the poverty level, and decline as income levels rise, still, at least some youths from families with $15,000-plus income flunk the literacy test.

Similarly, young people are most often illiterate when their parents have had little education, according to the report's findings. Among black youths from families headed by someone who had no formal education at all, for example, more than 50 per cent are illiterate.

On the other hand, some illiteracy is also found among the offspring of white college-educated parents.

"Alarming and discouraging" was how Ruth Love Holloway, director of the U.S. Office of Education's "right to read" program, viewed the report.

OE's "Right to read" program, first announced in 1969 by the late James E. Allen Jr. who was then U.S. education commissioner, has been sponsoring a number of innovative reading programs and disseminates information about those that prove successful.

Mr. EAGLETON. Mr. President, I believe there is a national need to focus resources on the development of better teaching techniques. We cannot continue to allow students to progress through our educational system without the basic skill of reading. One dramatic example of the consequences of perpetuation of the present system occurred in California. Peter D., an 18-year-old, graduated from high school with only a fifth grade reading skill. He applied for a job as a clothing salesman but was unable to fill out the job application form because he could not read it. Now he is suing the school system for damages for its failure to teach him to read sufficiently well to enter the job market. Unfortunately, there are an estimated 19 million Americans like Peter D. who are trying to get into the job market and have fifth grade, or even lower, reading skills.

Title VII of this bill reflects a conviction that most children can learn to read if properly taught, and is grounded on the principle that the Federal Government can play an important role in developing innovative programs.

Title VII is designed to provide assistance to State and local educational agencies to encourage them to undertake demonstration projects to strengthen reading programs in the elementary grades. Although the illiteracy problem spans all ages, I believe that the primary focus should be in the early grades, aiming at a preventive approach rather than remedial efforts. The new program would also provide financial assistance for the development and enhancement of necessary skills of teachers and other educational staff.

The program is to be implemented through contracts between the U.S. Commissioner of Education and State or local educational agencies which agree to carry out demonstration projects; contracts between the Commissioner and local schools for special emphasis projects to determine the effectiveness of intensive instruction by reading specialists; grants from the Commissioner to public and private organizations and individuals to support the preparation, production, and distribution of information and material on reading; grants from the Commissioner to institutions of higher education to strengthen and improve undergraduate instruction in the teaching of reading.

Although the total first year authorization of $135 million is modest in comparison to the scope of the problem, it is our hope that it will encourage schools to set up a number of worthwhile demonstration programs that will tell us something when they are completed. The programs should pinpoint successful teaching methods, successful instructional materials, and successful use of trained personnel. We can then use these as models to take us where we want to go—eliminating illiteracy in this country.

SUMMER SPORTS FOR YOUTH

Mr. HUMPHREY. Mr. President, I am pleased to be a joint sponsor with the distinguished Senator from California (Mr. TUNNEY) of legislation that authorizes the continuation of the national summer youth sports program.

The NSYSP will expire in the summer of 1974 unless this legislation is enacted. The summer sports program has been an unqualified success from the standpoint of involving our underprivileged children in a highly professional health and sports program at colleges and universities throughout the United States. The program has given hope—wider horizons—to the neglected, the forgotten, the underprivileged youth in our society. We cannot let this program be phased out by this administration.

The summer youth sports program has drawn more than 40,000 boys and girls between the ages of 10 and 18—90 percent from underprivileged central city families—to gymnasiums and sports fields for daily workouts for the past four summers. The children who are involved receive much more than an obvious health boost from exercise, competition, free lunches, and basic lessons in health. This program inspires confidence and pride in oneself. It gives these young people something better to look ahead to than poverty, unemployment, idleness, and boredom.

The young people are given a medical examination and lessons in personal hygiene. They spend some of their time getting to know what is available at a college and university. They learn about various careers and are encouraged to plan their educational future. They hear talks on job placement, first aid, and health care as well as recreational activities.

The bill that Mr. TUNNEY and myself are introducing requires that 90 percent of the young people participating in each of the programs throughout the United States must be from families with incomes below the poverty level. The Federal share of the program is 80 percent. Twenty percent of the cost is borne by the colleges and universities, the National Collegiate Athletic Association, and business organizations. The funding authorization is $5 million for each of fiscal years 1975, 1976, and 1977.

This summer sports program is a way for young people to participate in constructive activities and to grow into better citizens by taking advantage of our personnel and facilities of higher education. I urge my fellow Senators to support this legislation and not let this excellent program expire.

REVISING THE ESPIONAGE ACT

Mr. MUSKIE. Mr. President, the Subcommittee on Criminal Laws and Procedures of the Committee on the Judiciary is engaged in the arduous and enormously important task of considering proposals to recodify all Federal criminal statutes. In that process it has been hearing testimony on the laws dealing with espionage and the proposals in S. 1 and S. 1400 to revise those laws.

This morning the subcommittee heard the views of a highly qualified witness, former Air Force Officer William G. Florence, for more than 40 years a military and civilian expert on security matters. Mr. Florence, whose advice on classification practices and Government secrecy policy, has been invaluable to many Members of Congress, strongly argued that the provisions of S. 1400 dealing with espionage and its punishment would endanger constitutional rights of free speech and free press "without enhancing national defense one bit." As I observed about the same proposals in a speech over a year ago, Mr. Florence testified, "the espionage sections of S. 1400 constitute a real threat to freedom in America," because they would drop from the law the essential concept that disclosure of information dealing with the national defense be punishable only when such disclosure is committed with the intent to injure the United States or bring advantage to a foreign nation.

Mr. Florence's testimony, including the facts he cited to dispute the administration's contention that classification reforms have so improved the secrecy system as to justify making criminal any unauthorized disclosure of classified information, should be read by all those who must consider the wisdom of revising the espionage laws. His full testimony will eventually be printed by the Subcommittee on Criminal Laws and Procedures, but in the meantime, I ask unanimous consent that a summary of his prepared statement before the subcommittee and a particularly interesting extract from his full prepared statement be printed in the RECORD.

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

SUMMARY OF STATEMENT BY WILLIAM G. FLORENCE

Mr. Chairman, I deeply appreciate the invitation to testify on proposals in S. 1 and S. 1400 to revise sections of the Federal Criminal Code involving espionage and related offenses. This is a continuation of my testimony May 23, 1972 on proposals that the National Commission on Reform of Federal Criminal Laws had previously submitted to Congress for revising the espionage statutes.

A statement of my qualifications is in Part III, Subpart D, of the Committee's report of hearings, with my earlier testimony, page 3047. I would update my qualifications, which have now increased to 46 years of military and civilian experience involving national defense information.

I served for 19 months as consultant on Government security policy to defense counsel in the Ellsberg-Russo espionage case. This included consultation in court during the pre-trial process and during the four month trial, until it ended May 11, 1973.

At present, among other pursuits, I am consultant on Government secrecy policy and practices to the recently established Project for an Open Society, with offices currently in New York City. It exists to help curb expansion of state power in the name of national security.

I am also consultant to the National Committee on Government Secrecy, which is located here in Washington.

Mr. Chairman, I will summarize the major points in my comprehensive statement at this time. I ask that the statement be included in the record following these comments.

First, it is important to note that the bill designated as S. 1 originated as a product of this Committee. The bill designated as S. 1400 was drafted by the Department of Justice. Both bills are based on recommendations made by the National Commission on Reform of Federal Criminal Laws.

The analysis I made in 1972 of the Commission's report showed that the proposed revision of the espionage statutes would seriously impact on the First Amendment rights of free speech and a free press, without enhancing national defense one bit. Most of the faulty security concepts in the Commission's report were excluded from the espionage sections of S. 1. But the espionage sections of S. 1400 constitute a real threat to freedom in America.

Mr. Chairman, I have studied the memorandum that the Department of Justice submitted to the Committee in May 1973 in support of sections 1121–1126 of S. 1400. That memorandum and the testimony of the Department's representative, which are in Part VI of the report of hearings, shows the false philosophy of secrecy that has prevailed for many years in the Executive branch.

Disclosures stemming from the Ellsberg-Russo case and the Watergate burglary have revealed this particular administration's practice of honoring its secrets more than the rights of citizens to free speech. That practice would be made lawful by S. 1400.

I now turn to chapter 11 of S. 1400. Problem areas will be identified, and solutions suggested in general. Specific changes and detailed reasons for each one are in the full statement.

The matter of greatest concern is the proposal to eliminate the element of injury to the nation that existing law in 18 USC 793 (d) and (e) require for alleging that a disclosure of information relating to the national defense was a crime. This would have the effect of eliminating our First Amendment right of free speech.

The Department of Justice indicates that the injury factor is not now an essential element of law. But nothing could be clearer than 18 USC 793 (d) and (e) in showing that for a person to be prosecuted for having disclosed information relating to the national defense, he must have had reason to believe that it could be used to the injury of the United States or to the advantage of any foreign nation.

It is true that 18 USC 793 (d) and (e) could be read as if the injury factor did not apply to the communication of physical items containing information relating to the national defense. However, it would make no sense to allow a citizen to read information in a document to another citizen but allege a criminal act if the same information was communicated in documentary form.

The Ellsberg-Russo case is the only one in which the Executive branch ever prosecuted anyone for communicating documents allegedly relating to the national defense, in violation of 18 USC 793 (d) and (e), without claiming existence of the injury factor.

But the day before the trial began, the judge stated his views regarding the law as it applied to documents. This was done in court, January 16, 1973. Here are excerpts from the record, beginning on page 8218 of the transcript:

"In stating what I feel the tentative issues are, I have kept in mind what I feel is the congressional purpose behind this statute. And that is to protect information and documents that belong to the Government, which have been kept confidential by the Government, *in prevention of injury to the nation.* (Emphasis added.)

"Are the documents the type that require protection in the interest of the national defense, in that their disclosure could adversely affect or injure this nation or be to the advantage of any foreign nation?"

Mr. Chairman, the phrase "information relating to the national defense" applies to a considerable mass of information known to the people in this country. Communication between two or more citizens of information relating to the national defense is naturally part of the life of this nation. The only possible basis for alleging criminality in communicating such information is the existing factor of injury to the nation.

The concept that citizens should be punished for disclosing information to one another without any proof of injury to the country is reflected in sections 1122, 1123 and 1124 of S. 1400. Section 1124 would be especially repressive regarding disclosures of what is called "classified information." People would be criminalized solely because somebody put a classification marking of Confidential, Secret or Top Secret on an item of information. A person accused of revealing the information would be prohibited from challenging the validity of the classification.

Mr. Chairman, the Department of Justice suggestion that a security classification marking would identify information as affecting the national defense is truly a hoax. The designation of an item of information as being classified is strictly a matter of mind. Anyone can say that some information is classified Secret at a given moment, and then change his mind at any time thereafter and reveal the information without restriction. But any document containing the information normally will keep the original classification marking, even after complete disclosure of the information.

My full statement shows how Department of Defense regulations authorize a security classification for practically anything, including privately owned information.

Also, my statement documents the refusal of the Department of Defense, at this moment, to cancel the classification marking on documents which were introduced as evidence in the Ellsberg-Russo trial, and became public records.

This sort of bureaucratic obsession with secrecy practices has made a security classification of Confidential, Secret or Top Secret the most disbelieved and least respected symbol of Executive branch authentication today, but this administration is still pushing for the idea of punishment by classification label. In a speech just a few days ago, April 30, 1974, the Assistant Attorney General, Office of Legal Counsel, referred to the purpose of prohibiting a challenge of the validity of an assigned security classification as being "essential to effective operation of our information security system."

Another problem area is the definition of terms. The definition of a word or phrase can extend the reach of law far beyond that which a sentence in context might indicate to an unsuspecting reader. It is enough of a burden in life that ignorance of a clearly stated criminal law is no excuse for violating it, without being threatened by a law that requires deciphering a cloudy definition or a whole series of definitions.

Among other questionable definitions, S. 1400 would attempt to define the phrase "relating to the national defense" as including some specified fields of information. That really would kill freedom of speech. It is injury to the nation that should concern us, not types of information.

The Supreme Court ruling in what is known as the Gorin case prohibited arbitrary prosecutions that would result from a pre-trial designation of a particular item of information as relating to the national defense.

Mr. Chairman, the only logical action which I could suggest for this Committee to take regarding the espionage sections of S. 1400 would be to reject them.

I now turn to S. 1. It would bring forward all of the provisions of existing law that are necessary in maintaining the capability of this nation to defend itself against hostile or destructive action. In doing this, the injury factor would be retained, in some degree, for determining the criminality of disclosures of information.

The brevity and simplicity of the two substantive sections of S. 1, which require the space of only one page, merits admiration by every citizen. The scope, reach and sense of those sections represent devotion to basic Constitutional rights and a highly practical approach to the definition of offenses that could affect our national defense. It is of special interest that S. 1 does not use the term "classified information."

But there are some proposals which should be corrected. Details are in my full statement.

The phrase "national defense" should replace the phrase "national security" in the title of subchapter 5B, and in section 1–4E1 regarding the death sentence. This Committee should keep on using the phrase "national defense" in the sections involving espionage and related offenses. But the phrase "information relating to the national defense" should replace the phrase "national defense information" for the reasons stated by the Department of Justice, as explained in my comments on S. 1400. The phrase "information relating to the national defense" is court-tested, and has meaning established by the courts to protect the rights of citizens in disclosing information.

Also the proposal to define either "national defense information" or "information relating to the national defense" should be eliminated for the reasons stated in my comments on S. 1400.

Finally, the court-tested criterion for injury to the United States that is currently in 18 U.S.C. 793 (d) and (e) should replace the proposal to criminalize disclosures of information made "in a manner harmful to the safety of the United States."

Mr. Chairman, with amendments as suggested, the proposed espionage sections of S. 1 should constitute a most commendable reform of existing law.

Thank you again for the privilege of presenting these comments to this Committee.

EXTRACTS FROM FULL STATEMENT OF MR. FLORENCE

Mr. Chairman, the Department of Justice suggestion that an Executive branch security classification marking in itself would identify an item of information as affecting the national defense reflects the hoax of the century.

The system currently prescribed in Executive Order 11652 for people to classify information as Top Secret, Secret or Confidential in the interest of national security is the same system that the Army and Navy began using in World War I. Their purpose was to systematize the designation of military information as Secret or Confidential for retention in military channels until some military authority chose to disclose it.

This Executive branch classification system necessarily operates on the basic military principle that security is the responsibility of command. Thus, the assignment and retention of a classification is strictly a matter of mind. A person can decide for his purpose that information revealing a proposed or completed action warrants secrecy. At any time thereafter, he or his superior, on up to the President, may think differently and treat the information without secrecy according to his need or wish at the moment.

However, any classification marking that was put on a document containing information assigned a classification can stay on that document, even after complete disclosure. This defect of the military classification system is manifested most convincingly at the National Archives. Available statistics show that more than 1,700,000,000 (one billion, seven hundred million) pages of historical records under National Archives jurisdiction are designated as being "classified." That would be a file of papers almost 60 miles long.

Archives personnel are currently administratively prohibited from allowing the American people, who own the historical records, to have access to them, even though information in them has become public knowledge. If Congress should enact the legislation proposed in section 1124, disclosure of information in any of that 60-mile file of history would be made a crime.

Members of this Committee probably are fully aware of the multitudes of examples of unnecessary, unjustifiable, frivolous and absurd classification actions perpetrated and perpetuated by Executive branch people that have been revealed in the recent past. The same free-wheeling and self-serving practice of classifying information and refusing to cancel unwarranted and outdated classifications continue at present in the Executive branch.

The Department of Defense regulation, DoD 5200.1R, subject: Information Security Program, which was authenticated by Assistant Secretary of Defense Terence E. McClary November 15, 1973, contains the sort of self-contradictory instructions that lead people to refer to the Pentagon as Fort Fumble. There are about 15 pages devoted to what is called classification policy, principles, criteria, and considerations.

Those pages provide unlimited theoretical possibilities for viewing information as qualifying for classification. Authorization could be found somewhere in all that wordage for classifying any item of information and keeping it classified.

Paragraph 1–400.c of the DOD regulation contains the following statement, which would seem to be intended to help curb unnecessary classification actions: "classification shall apply only to official information requiring protection in the interests of national security." But even that suggestion is negated in other parts of the regulation. Three examples follow:

(1) Paragraph 2–303 supports the classification of a document because the information could be associated with other information known to be in the public domain.

(2) Paragraph 2–314 supports the assignment of a classification to a compilation of unclassified information.

(NOTE: This includes unclassified information such as I testified about in 1972. A copy of the title page and description of the document I showed this Committee is on pages 3055 and 3056, Part III of the report of hearings.)

(3) Paragraphs 2–700 and 2–702 support the assignment of security classifications to privately owned information.

Mr. Chairman, promulgation of the DOD regulation, with its excuses for unwarranted secrecy, received concurrence of the President's Interagency Classification Review Committee. It operates under the National Security Council to help coordinate Executive branch implementation of Executive Order 11652. The guidance in that regulation is what the mass of DOD officials and employees and the millions of people in the Army, Navy, Air Force and civilian contractor organizations live by in considering what can be called "classified information."

A highly significant example of the Department of Defense idea of what the security classification system means is the refusal to cancel classification marks on documents lawfully designated as public records during the Ellsberg-Russo trial. Eleven of the 20 documents that Dr. Ellsberg was charged with mishandling were still classified TOP SECRET when the trial began in January 1973. Nine of them were volumes of the U.S.-Vietnam Relations study commonly called the Pentagon Papers.

The court had previously denied the Government's request that secrecy restrictions be imposed on classified documents if they were submitted as evidence. The court ruled that since the trial was public, all documents in evidence would be handled in the same manner. (Page 5047, trial transcript.)

But the prosecutor introduced the 11 Top Secret documents as evidence anyway. At that point they became public records. They were specifically designated as such by the trial judge, and were available for any person to read and copy. (Page 9295, trial transcript.) Information in the documents was discussed in detail by numerous witnesses testifying on the question whether they related to the national defense. The information was recorded in the trial transcript, and was also circulated by other means without any restriction whatever.

This year, January 26, 1974, I wrote to the Secretary of Defense and requested that copies of the nine volumes of the Vietnam study be made available to me under the Freedom of Information Act (5 USC 552). The General Counsel of the Department of Defense notified me by letter March 25, 1974 that my request was denied. He stated that all nine documents remain classified.

Mr. Chairman, it is this sort of bureaucratic obsession with secrecy practices that has made a security classification marking of Confidential, Secret, or Top Secret the most disbelieved and least respected symbol of federal Executive branch authentication today. But the Top Secret Vietnam study "public records" are typical of documents that the Department of Justice is claiming should be protected under the proposed section 1124. In effect, the Department has requested that Congress make it a crime to disclose information in one of the volumes solely because it has a security classification marking.

It might seem that there is not need to dwell on the extremely serious problems involved in section 1124, since it is almost unthinkable that Congress would enact such

legislation. But the Executive branch is still supporting its request for that section. This was reflected in a speech the Assistant Attorney General, Office of Legal Counsel, made April 30, 1974 at a symposium on Executive Order 11652 that was sponsored by the Interagency Classification Review Committee.

Mr. Dixon, the Assistant Attorney General, referred to the proposal to allege criminality on the basis of an assigned classification label and prohibit an accused from challenging the validity of the classification as a "controversial feature." But he also referred to the *purpose* of prohibiting such challenge as being *essential to effective operation* of the information security system.

With obvious concern about the question of fairness involved in section 1124, Mr. Dixon suggested a possible revision. Under his proposal, however, a person would be deemed to be a criminal for disclosing classified information to a loyal, trustworthy citizen if members of a governmental review committee and the Attorney General "certify that the information was properly subject to classification at the time of the offense." But there still was no indication of interest in showing injury to the nation, evil intent, or bad faith as a requirement for alleging criminality.

Mr. Chairman, the only action that would seem logical for this Committee to take regarding section 1124 is to reject it and the draft definition of "classified information." Among other dangers in such legislation would be the furnishing of a specific lawful basis for the President's security classification system as it now operates, and as any future President might want to establish for his own purpose.

There is not now any lawful basis for a security classification system. If it is the sense of Congress that the President should be given power to classify information and strive to keep it secret from the American people, authority should be stated in legislation designed and considered for that purpose. The delegation of power should not be made in the guise of definitions of offenses stated in the Criminal Code.

SOUTH VIETNAMESE POLITICAL PRISONERS

Mr. ABOUREZK. Mr. President, the U.S. Ambassador to Saigon, Mr. Martin, has recently charged publicly that there are only a "handful" of political prisoners held in South Vietnam, that they are not mistreated, and that those who claim they are are part of a vast Hanoi-directed conspiracy.

In fact, however, virtually all of the information about political prisoners has come from Saigon, not Hanoi, from the journalists of magazines like Time and Newsweek, not those writing for Nhan Dan, from Americans who have looked into the situation firsthand in South Vietnam, not Communist agents.

Most importantly, however, this issue could easily be resolved by allowing visits by outsiders into South Vietnam's prison system. Ambassador Martin has to date refused all attempts by outsiders to gain his support to look at Thieu's prisons—with the exception of a visit by a team sponsored by the far right American Security Council.

Until Ambassador Martin throws his support behind visits to Thieu's prisons, it is difficult to accept his obviously uninformed and inflamed comments about political prisoners.

Mr. President, one of the most authoritative sources on the issue of South Vietnamese political prisoners, Fred Branfman, has written a comprehensive report on political prisoners in that country. For over a year now, Mr. Branfman has been doing extensive research on the issue of political prisoners in South Vietnam. Currently the coordinator of the Indochina Resource Center, he visited Saigon and interviewed many political prisoners and other persons with firsthand knowledge of the situation.

I ask unanimous consent that the report by Mr. Branfman be printed in the RECORD.

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

SOUTH VIETNAMESE POLITICAL PRISONERS

Americans will soon have the opportunity to communicate directly with Mr. Graham Martin, the U.S. Ambassador to Saigon, over the Saigon government's treatment of political prisoners. For Mr. Martin, alarmed by congressional sentiment for cutting aid to Thieu, is arriving in early May to the U.S. to continue his remarkable recent campaign supporting the Thieu Government's claim that it does not mistreat or even hold large numbers of political prisoners.

Mr. Martin shot into the public eye recently when it was revealed that he had advised the State Department against giving an "honest" answer to Senator Kennedy's request for information about U.S. activities in South Vietnam. "I think it would be the height of folly to permit Kennedy . . . the tactical advantage of an honest and detailed answer," Martin wrote. Kennedy responded by calling Martin's cable an "outrage," and charging that Martin had interfered in studies by the Government Accounting Office, trying to "restrict the investigations' access . . . [to] Embassy files" and to "censor the transfer of GAO information from Saigon to Washington." These comments were echoed around the country, with the New York Post calling for "nothing less than the immediate recall and ouster of Graham A. Martin." (April 3, 1974)

Of all the issues Martin has been dishonest about, however, nothing compares with his treatment of the political prisoner issue. Western journalists in Saigon have written countless articles since the ceasefire detailing eyewitness reports of brutal torture, mass round-ups of men, women and children, incarceration without trial. Organizations from the NSA to the National Council of Churches, governments from Australia to West Germany, and countless individuals from laborers to the Pope, have protested. "The existence of political prisoners in South Vietnam is beyond any reasonable dispute . . . mistreatment and torture of such prisoners have been authoritatively reported," reported the Senate Appropriations Committee in December 1973. "Torture has become no more or less than a matter of habit," the widely-respected Amnesty International has reported, estimating 70–120,000 political prisoners.

When Mr. Martin was confirmed as Ambassador to Saigon, he was asked by Senator Percy if he would "urge reform" about prison conditions in Vietnam. "I would think that would be something that we might very properly express our concern about, and I would fully intend to do so," Mr. Martin answered under oath.

Since becoming Ambassador, however, Mr. Martin has flagrantly violated this oath. Far from taking any known steps to alleviate prison conditions, he has instead taken it upon himself to emerge as the major international apologist for the Thieu regime's prisons, while refusing admission to outside observation of the prison system.

Mr. Martin's basic claims about the prison system boil down to the following:

1. Only 35,000 prisoners—He can "state with complete conviction that the total prison population within the Republic of Vietnam as of mid-January, including all prisoners from the smallest village detention facility through the largest central prison, does not exceed 35,000." (notes of conversation with visiting peace groups, CONGRESSIONAL RECORD, April 4, 1974)

2. Political Prisoners only a "handful", well-treated—"If there are abuses in the prisons, they are not widespread, and not systematic. . . . Among these prisoners there probably are not more than a handful of political prisoners." (Washington Post, March 15, 1974)

3. New York Times, U.S. Peace Groups, and liberal representatives are all involved in a communist plot—the world-wide attention on political prisoners is the result of "decisions taken last fall in Hanoi to mount all-out campaign this winter and spring to persuade Congress to drastically reduce . . . aid . . . The Stockholm Conference was to be used as the main coordinating mechanism . . . remnants of the American 'peace movement' [would] bring influence to bear on selective susceptible, but influential elements of the American communications media and particularly on susceptible congressional staffers." (Cable to State Department, March 21, 1974)

Before considering each of these claims, however, it might be useful to briefly review Mr. Martin's diplomatic career. For his present behavior can only be understood in the context of a career marked by covert warmaking abroad coupled with intentional deceit at home.

AMBASSADOR MARTIN IN THAILAND AND ITALY

Mr. Martin was, for example, U.S. Ambassador of Thailand from late 1963 through late 1967. When he arrived in Thailand, there were roughly 6300 U.S. personnel in Thailand. By the time he left, the number had grown 7-fold to 43,500. Mr. Martin also was later to testify before Congress that he had personally taken the initiative in launching major counter-insurgency efforts against the Thai Liberation Front within Thailand, importing U.S. Special Forces and a U.S. helicopter squadron to deploy Thai troops throughout the northeast. As Mr. Martin put it in Senate testimony, "If anyone is to be held responsible for the insistence on a higher level of military aid, I would be glad to take the full responsibility." Mr. Martin also testified, with regard to the sending of U.S. crews and helicopters to ferry Thai troops about, that "it was basically my idea because I simply did not want the Thai counter-insurgency effort to lose that time . . . it was initiated on my own authority . . ."

Despite the fact that Mr. Martin pushed this massive build-up and involvement in internal Thai affairs, however, he at the same time attempted to keep this from the American people. A former U.S. soldier in Thailand, later bureau chief of Newsweek, Maynard Parker, wrote for example in the December 1966 issue of the *Atlantic* that "U.S. Ambassador Graham A. Martin was determined that the story [of U.S. presence in Thailand] should not be told and was willing to go to great lengths to keep it from being told."

The first time, indeed, Mr. Martin officially admitted the U.S. buildup in Thailand was on January 18, 1967—one month after Parker's article and three and a half years after Martin had arrived in Thailand.

Mr. Martin's activities in Thailand, moreover, were not limited to military and counter-insurgency matters. In his confirmation hearing to be Ambassador to Saigon on May 9, 1973, for example, Senator Fulbright asked Martin: "Did you make any recommendations for covert assistance to political groups in Thailand in 1964?" "My understanding is

that questions of the sort that you just asked are bound by the same general instructions neither to affirm or deny and that there are other sources and other forums in which these matters can only be completely discussed," Martin said, refusing repeatedly to answer the question.

After leaving Thailand in September, 1967, Martin returned to the State Department where he was a high-ranking official dealing with refugee affairs. During this period, he authored studies on State Department personnel policies which resulted in a major purge of many more liberal elements of the Department.

Mr. Martin then served as U.S. Ambassador to Italy from October 1969 through April 1973. On May 13, 1973, the New York Times revealed that Mr. Martin had made a major attempt to get the CIA to resume secret U.S. financing of the conservative wing of Italy's leading political party, the Christian Democrats. It was revealed he had been having secret meetings with Amintore Fanfani, leader of the conservatives. Mr. Martin's desires, however, were too extreme for Mr. Nixon. "No. We want to stay out of this kind of thing," Nixon is quoted as writing on Martin's plan. Another intelligence source explained: "There are half a dozen factions in the Christian Democratic Party . . . Martin was going to back one of them. That would have been foolish—the others would have blown the payments within five minutes. At least in the old days we bought off everybody."

It is difficult to find a rational explanation for Ambassador Martin's curious insistence that the source of world-wide concern for political prisoners is the North Vietnamese and PRG. On January 16, 1974, for example, he told Berkeley Councilwoman Ying-Kelley that she "probably was not aware of the full measure of the apparatus as it extended within the United States. For example, the Vice Chairman of the PRG delegation to the two-party talks in Paris had recently given a tongue lashing to the American peace activists who had met him there saying that the peace movement in the United States was disintegrating, and that they were falling down on the job in getting the propaganda campaign within the Congress that needed to be mounted for this next appropriation cycle. Names of prisoners were furnished the American peace activists . . ."

In fact, of course, the source of virtually all information about political prisoners are Buddhist and Catholic groups in Saigon, and not Hanoi or the PRG delegation in Paris. Almost all major publications in the U.S., for example, have published articles dealing with political prisoners, ranging from a major piece in the New York Review of Books by Joseph Buttinger, to widely noticed pieces in Time and Newsweek to stories by AP and UPI. Peace groups around the country have tended to rely heavily on such articles from the traditional press, as well as handbooks by Amnesty International and, above all, Hostages of War, by Holmes Browne and Don Luce—based almost entirely on material gathered by former IVS chief Don Luce during a decade in Saigon.

Another major source of information has been material generated by Americans living in GVN-controlled areas of South Vietnam. Perhaps the best known in this category is work of Jane and David Barton, two physiotherapists who treated political prisoners who had been tortured in the prison hospital ward of Quang Ngai. Others who have written and spoken widely on political prisoners after stays in Saigon, since the ceasefire, include Bishop Thomas Gumbleton, former Air Force doctor John Champlain, Mike and Diane Jones, Jackie Chagnon, and the author.

The major audio-visual aid used by the peace movement has been "A Question of Torture", a film made by Granada TV of Great Britain in Saigon. The film was shot entirely in GVN-controlled zones, and includes interviews with the Bartons, a Vietnamese judge, a former U.S. Phoenix agent, and numerous relatives of political prisoners and former political prisoners.

The only other major source of information about political prisoners used in the U.S. is the vast amount of material generated by mostly Third Force Vietnamese living in GVN zones. This includes dozens of letters smuggled out of prison, mostly by students and intellectuals; hundreds of letters written by relatives of people known or feared to be in prison; innumerable statements and declarations by a bewildering variety of organizations and well-known figures; and a smaller, but significant, number of official documents supporting many of the charges that have been made, such as a post-ceasefire telegram from National Phoenix headquarters telling all local police that mass arrest and detention without trial remain in effect.

Ambassador Martin is presumably well aware of this. It is no secret that, for example, the names worn on political prisoner bracelets in the U.S. come from Saigon's An Quang pagoda prison group and Chan Tin's Committee to Reform the Prison System. This well-known fact has led many to believe that the Ambassador is consciously attempting to smear the U.S. peace movement by linking it to Hanoi.

The problem with this theory, however, is that it doesn't quite explain, well, the *intensity* of Mr. Martin's attack: those long, rambling sentences that seem to go on and on, the exaggerated cadence, the lurid turn of phrase. At one point, for example, Martin explained that he had "become utterly fascinated by the success of Hanoi in fashioning a propaganda apparatus which in its efficiency, in its pervasiveness, and its sheer perfection of technique has no parallel in recorded history. Herr Goebbels would whirl in his grave in complete frustration at the realization that he was the most callow, unsophisticated neophyte in comparison."

Reading Ambassador Martin in toto, talking with people who have spent time with him recently in Saigon, one gradually begins to suspect that Mr. Martin *believes* what he is saying. This theory, however, leads to even more serious questions than if one assumes he is deliberately lying.

In early March, for example, Martin charged that a New York Times piece written by David Shipler on February 25 was a part of a Hanoi-directed conspiracy as described above. The reaction was sharp and intense. Time ran a feature story on the confrontation between Martin and Shipler, with Shipler emerging the victor. The Washington Post wrote an editorial, entitled "Whose Ambassador?", which questioned U.S. involvement in South Vietnam with a sharpness not seen since the ceasefire. Senator Kennedy attacked Martin on the floor of the Senate. Shipler's article was re-read carefully by many who had just skimmed it before.

It was clear to everyone, including sources in the State Department, that Ambassador Martin had done something the peace movement had unsuccessfully been trying to do for a year: Make the point that we were in Vietnam up to our neck and repeating all the mistakes of the past.

Clearly, Martin had pulled a boner. How could one expect the New York Times or Washington Post to react when accused of being a tool of the international communist conspiracy? Agree? Apologize? Come out? Admit they had been card-carrying communists all these years?

Despite the head-shaking going on all over Washington, however, Graham Martin was apparently quite pleased. His soon-to-be revealed cable to Kennedy a few weeks later, for example, began with the cheery news that "It seems rather clear that the Shipler article and the reaction to Embassy Saigon's comment thereon has had the effect of upsetting the timetable of those whose objective it is to aid Hanoi by seriously crippling the RVN through a drastic reduction of economic and military aid."

Shortly after the Ambassador wrote this, the House set a precedent by rejecting a $474 million supplemental military aid request for Thieu. Far from "crippling" efforts to cut aid, Ambassador Martin's actions had if anything helped aid opponents.

It would all be rather humorous, were it not for the fact that throughout this period torture and mass arrest continued unabated.

AMBASSADOR MARTIN AND SOUTH VIETNAMESE POLITICAL PRISONERS

Given this background, then, it would be difficult to take Ambassador Martin's simple word on political prisoners. Yet, since arriving in Saigon, he had offered little else—even as he has refused to support attempts by many outside observers to visit the prisons and determine once and for all what is going on.

The only support offered by Mr. Martin for his claim that there are only 35,000 prisoners of any category, for example, is a "study" made by political officer Sitzer of his Embassy. The "study" in question, which Mr. Martin has made available to the public, relies entirely on GVN documents since the ceasefire. No claim is made that American Embassy personnel have visited prisons since the ceasefire, nor is any documentary evidence put forward to support U.S. "estimates" of prison capacities. The "study" admits, moreover, that one of its "soft spots, despite the survey, is the detention system at the district and village levels." The Embassy spokesman, after noting that there are no GVN records kept for prisoners at this level, goes on to put the number at "no more than a thousand" at any given moment. The respected Roman Catholic priest Chan Tin, however, puts the number at 68,000 for these district and village lock-ups. Since the American Embassy admits having no way of knowing how many prisoners are kept below the province level, its mere assertion—given the discrepancy with Chan Tin's figure—is rather unconvincing.

Martin's "study" of the numbers, moreover, is made even less convincing by the fact that he had made up his mind even before he went to Saigon. Without any first-hand knowledge of the situation at all, he testified before the Senate at his confirmation hearing on May 9, 1973, that "the vast uses that the worldwide leftist propaganda of the claims of 200,000 political prisoners, in view of the fact that there are only 40,000 places even for detention in South Vietnam has been . . . a vast sort of propaganda exercise."

The shoddiness of Mr. Martin's numbers claims, however, pales beside his denial that Thieu holds any political prisoners. His basic argument is that he defines a political prisoner as "persons imprisoned solely because of opposition to the government," and that "he has not yet been given the name of a single prisoner who, when checked out, fell into this category." (March 15, 1974)

To begin with, however, Martin cannot be unaware of the fact that Decree-law 93/SL/CT outlaws "communism or pro-communist neutralism", stating that "shall be considered as pro-communist neutralist who commits acts of propaganda for an incitement of Neutralism . . . jeopardizing public security", and that thousands of people have been imprisoned on just such charges.

Nor, moreover, is he unaware of the fact that large numbers of persons are held under "administrative detention", i.e., without lawyer or trial. Persons arrested in this manner can be held for "two years, renewable", have no access to a lawyer, cannot confront their accusers, and indeed are simply put in prison while their police-prepared dossier is sent

to a Provincial Security Committee which imprisons without seeing the suspect.

Under these circumstances, Ambassador Martin clearly has no way of knowing how many of those presently in prison are there "solely because of oposition to the government". For not only those held under "administrative detention", but the many thousands more who are either placed in jail for years without any sort of trial, or are first interrogated by torture and then sent before a military field tribunal for sentencing, are denied any right to counsel during interrogation.

Ambassador Martin implicitly acknowledged this when he stated to a visiting group of peace activists that "the 'justice delivery' [sic] systems of [France and Italy] were, as in the case of Vietnam, based on the Napoleonic Code under which pre-trial detention was based on quite different legal concepts than the British or American system . . . criticisms were, then, as a matter of principle, applying equally to France and Italy as well as to Vietnam." (2125)

This statement is, of course, simply absurd. To begin with, the Ambassador's comments reveal an ignorance of South Vietnam's 1967 Constitution, which officially is still in force and follows the Anglo-Saxon tradition. Article 7, clause 8, for example, states that "Accused persons will be considered innocent until sentence recognizing their guilt is handed down. In event of doubt, the court will rule in favor of the accused." Clauses 5 and 6 of this same Article 7 state, moreover, that "A defendant is entitled to a speedy and public trial . . . has the right to a defense lawyer for counsel in every phase of the interrogation, including the preliminary investigation."

Even more to the point, moreover, the Ambassador's comments show a serious misunderstanding of legal procedures in South Vietnam. Under "administrative detention" the accused can be imprisoned for "up to two years, renewable." U.S. CIA Chief William Colby testified to Congress in July 1971 that those accused under the administrative detention law do not have right to counsel, do not confront witnesses and often do not even meet their judges—they are generally put away solely on the recommendation of the police chief to the Security Committee. By contrast, however, in France the accused has access to a lawyer immediately, cannot be held for more than a few days without being indicted, and cannot be indicted without having thee opportunity to cross-examine witnesses, testify, and respond to questions. Even the most preliminary phases are carried out before a panel of three judges. "Preventive trial" in France and Italy, therefore, have little in common with "administrative detention" as practiced in *GVN zones.*

His most fantastic claim by far, however, is that the names he has received were originally furnished peace activists by the PRG delegation in Paris who "carefully misspelled" them. "Since the names were deliberately misspelled, when the response came that they could not be identified, this added to the credibility of the charge of an attempt to cover up," he told the peace activists in January 1974.

To begin with, Martin knows that the names he has received from hundreds of citizens around the world did not come from the PRG at all. The main source of these names for some time has been the Saigon-based Committee to Reform the Prison System, led by Father Chan Tin. And, as the Embassy's own study acknowledged, Father Chan Tin is hardly a communist: "Chan Tin has often taken positions damaging to the GVN and favorable to the Communist side, but this is insufficient evidence to conclude that he is a willing Communist tool. Chan Tin comes through to observers as a quiet but stubborn man. Being a priest, he views people's plights in a human way."

And, more importantly, the main reason for constantly publishing long lists of names of political prisoners has been the hope that identifying them in this way may help to save their lives. For this reason, Chan Tin's committee has gone to extraordinary lengths to attempt to get the spelling, prison number and other details correct. Many of the names, moreover, have been painstakingly collected from letters and interviews with terrified relatives of political prisoners who themselves risk arrest to try and find out what has happened to a sister or brother snatched away in the dead of night. (Although even this has its ominous side to Martin. His "study" reports that during the U.S. Embassy's visit to Chan Tin, "a teenage girl entered his office . . . with a folded note for a relative in prison. She had gotten conflicting reports about where the relative was being held. Chan Tin listened sympathetically . . . after the girl left, he then spoke to the reporting officer about the present situation in South Vietnam in dramatic class-struggle terms.")

Perhaps the most revealing example of Martin's approach to political prisoners is his February 12 answer to Martin Ennals, Secretary General of Amnesty International. Ennals had written the Ambassador about an April 1973 letter from Ray Meyer, second secretary of the U.S. Embassy in Saigon, which stated that "though we do not have precise figures, we estimate that the GVN now detains somewhere between 500 and 1000 noncommunist dissidents."

Martin's answer is to attack Mr. Meyer: "The imprecision of such reporting, without any evidence to substantiate or confirm what, at best, was a guess, violates the standards of American Foreign Service reporting set out by Ambassador Charles Bohlen in his recent book, Witness to History, to which this Embassy is endeavoring to adhere." Having disposed of his own Embassy's sloppy reporting, Martin then goes on to attack Amnesty International, the Stockholm Conference, and the American "peace movement". At no point does he offer any evidence to contradict Mr. Meyer's report. (Although there is a passage describing how Madame Ngo Ba Thanh, major leader of Saigon's Third Force, who was imprisoned for more than three years after leading a peace demonstration in front of Saigon's National Assembly, was imprisoned because she had accosted one of Saigon's Supreme Court Justices, "flogged him with her umbrella, broken the windshield of his car and then kicked him in his private parts"—a charge so ridiculous that it need not be dignified with an answer.)

One could go on and on. Martin presents "signed confessions" by three prisoners that they killed Professor Bong—despite the fact that Bong's own wife has publicly declared she did not believe the accused were responsible, and that one of the signers, Mr. Vu Quang Hung, has reported being tortured, having younger siblings placed under arrest to force him to sign, and having been denied access to a lawyer or relatives throughout his preliminary interrogation-torture; he claims that "it is not the Government of Vietnam which is holding up the return of the civilian prisoners," when student leader Huynh Tan Mam, deputy Tran Ngoc Chau, hundreds of Buddhist monks who recently led a hunger fast at Chi Hoa prison, and so many other civilian prisoners have still not been released; he asserts that "the mere fact that a guerilla campaign was in progress in South Vietnam . . . was in and of itself a denial . . . [that] South Vietnam [was] a repressive, closed society," when if there is any one thing that political theorists agree on it is that guerrilla movements can only spring up when people are denied access to the political process.

Such details, however, are unimportant compared to two major points.

THE AMBASSADOR'S DENIAL OF U.S. RESPONSIBILITY FOR SOUTH VIETNAM'S PRISON SYSTEM

In his January conversation with American peace activists, Martin states that he was "revolted at the thought that any American, as many of their 'Peace Movement' colleagues had done, would circulate charges that any part of any American AID Mission would participate in any way in advocating, advising about, or furnishing any equipment for, any measures that would be brutal, involve torture, or political repression of any kind."

This monstrous attempt by the Ambassador to rewrite history and erase from humanity's collective consciousness the vast role played by the U.S. in building up South Vietnam's police and prison system is by far the most serious of his charges.

The Indochina Resource Center will soon be publishing a major article drawn from internal American Embassy documents, which reveal the American role in creating and maintaining South Vietnam's police and prison system. Suffice it to say here that the U.S. has furnished virtually all equipment used by Saigon police—including generators used for electric torture, Smith and Wesson handcuffs, many of the very cells in which today's political prisoners are incarcerated. U.S. advisors have planned and directed the vast expansion of Saigon's police force from 10,000 in the early 1960's to 122,000 today, directing their activities down to ordering village sweeps on a daily basis. And, frankly, the U.S. unilaterally planned and implemented both the Phoenix and National I.D. card programs. The former resulted in mass assassination and indiscriminate arrests of tens of thousands of individuals in the 1960's—often to meet monthly quotas set by CIA Director Colby's office in Saigon—and led to a vast increase in "administrative detention" so as to handle the large numbers of those arrested without any evidence. The National I.D. card program, for which U.S. advisors wrote the original national decree issued by the U.S. government, and supplied and directed the use of American computers, involved the issuing of I.D. cards to every Vietnamese over the age of 15, I.D. cards which were linked to a computerized biodossier system.

In addition to this historic responsibility, the U.S. remains responsible for the activities of Saigon's police by virtue of the fact that we provide well over 86% of the Thieu government's resources—thereby continuing to fund, even if indirectly, all police and prisons. And, Mr. Martin's unconvincing protestations to the contrary, the New York Times and other sources report that our CIA continues to work with the Saigon police on a regular basis. (See N.Y. Times, February 25.)

THE AMBASSADOR'S REFUSAL TO SUPPORT VISITS TO THE PRISON

The insubstantive nature of Ambassador Martin's charges could be resolved, of course. All it would take would be allowing teams of neutral observers into the prisons. And, indeed, this is the most crucial weakness in the Ambassador's position. If everything he said was correct, he ought to be going out of his way to allow visitors in. What better way to prove to Congress that the Thieu Government is democratic, discredit the far-flung conspiracy out to get him, and resolve all doubts once and for all?

Those who have read this far, however, may not be surprised to discover that Ambassador Martin has not only refused to facilitate the visits of outside observers to prisons, with

one shocking exception—he has also gone out of his way to block such visits.

As Senator Kennedy noted on June 4, 1973, after reporting that then U.S. Ambassador Bunker had denied the U.S. Senate Subcommittee on Refugees staff access to the prisons, "the mere fact that members of this study mission—along with many others—have been repeatedly denied access to prison facilities, and conversations with detainees, is cause enough for serious concern."

Some of the others who have been denied access since the ceasefire include the Catholic Bishop of Detroit, Fr. Thomas Gumbleton, and Valleyfield-Quebec, Fr. Belanger; Buddhist monk Fr. Thich Phap Lan, and the Catholic priest Father Chan Tin; Quaker hospital workers in Quang Ngai; and dozens of journalists who are still waiting for permission to visit the prisons, three years after the Saigon Government expelled Don Luce for discovering the Tiger Cages and announced that journalists would "soon" be permitted to discover the truth for themselves.

Ambassador Martin's contribution so far to this has been the most hypocritical sort of venality. He has opposed the visit of the Government Accounting Office to look into American direct or indirect funding of the Saigon's prisons, on the grounds that this would violate "national sovereignty".

And on January 16, 1974, he made it clear to a distinguished group of visiting peace activists, including Berkeley city councilwoman Ying Kelley, New York Theological Seminary head Bill Weber, and the former prisoner commissioner of Massachusetts, John Boone, why they would not be permitted to visit the prisons. Ambassador Martin's own notes that day report that he said that "the real problem was how one would determine the composition of such a group [to visit the prisons]. For example, did Ms. Kelley really think that the group she was with was qualified to be accepted as neutral or objective. The Ambassador thought not. . . ."

Two days later, however, despite the Ambassador's talk of the need for a "neutral" and "objective" trip, a visiting group of Americans led by the American Security Council were allowed to visit Con Son Prison—the first outsiders (with the exception of the New Zealand Ambassador) permitted into the prisons since the ceasefire.

The American Security Council lists 1,600 major corporations as members, most of them defense-oriented, as members. A promotional pamphlet put out by this organization, entitled "American Security Council" lists vice-presidents of Motorola, U.S. Steel and General Electric as officers of the organization.

Page 5 of this pamphlet, with a heading reading "Why is the work of the American Security Council so important right now?", explains that "The Council has blueprinted the methodology for achieving victory in the Cold War . . . our challenge is to find the most effective way of recruiting and using the talents and resources of business in the far-flung struggle for men's minds . . . U.S. Business, with its entire profits system at stake, would be derelict in its duty to stockholders and to the nation if by inaction it helped Communism win the Cold War."

One of the leading members of the ASC team was the U.S. Ambassador to Saigon 1957–61, Mr. Elbridge Durbrow. Mr. Durbrow subsequently testified before Congress on several occasions, and appeared on the nationwide *Today* show upon his return to the U.S. He is presently Director of the "Freedom Studies Center," a subsidiary of the ASC, which recently took on the ASC's massive library documenting organizations and individuals it regards as "subversive."

Another leading member of the ASC team was Congressman Crane from Illinois, who appeared on the Today show with Mr. Durbrow. Congressman Crane had previously visited Con Son Island in July 1970, 20 days after the revelation of its Tiger Cages, paralyzed inmates, and shackling, by Congressman Anderson and Hawkins, and former IVS director, Don Luce. Congressman Crane told Congress on his return that "I saw no evidence of malnutrition . . . eye infections . . . paralysis of limbs . . . bruises . . . abrasions," and generally contradicted the report by Congressman Anderson and his colleagues.

One of the things that Congressman Crane did report to Congress on July 29, 1970, however, was that "Anchored in the cement of the elevated platform is a metal bar almost flush with the platform. This is for manacling prisoners between the hours of 5 p.m. and 6 a.m."

Upon their return to the United States after 4½ days in Saigon, the ASC team issued a 50-page report on their visit. Entitled "Vietnam Report: Not in Vain" (the quote is from Ellsworth Bunker), the report is subtitled "An independent Fact-Finding Mission to South Vietnam January 12–22, 1974, co-sponsored by the American Security Council and the Vietnam Council on Foreign Relations." (The itinerary of their tour, published in the February 1974 issue of the ASC's Washington Report reveals they were actually only in Saigon from 9:15 a.m. January 14 to 11 a.m. January 19, almost all of which was consumed in meetings with U.S. and GVN officials including Ambassador Martin, Defense Attache, John Murray, and President Thieu. The first official visit by the team after arriving in Saigon was to National Police Headquarters.)

Section II finds that Saigon is not a "police state." On page 7, however, the group reports that "although [the police] aid-and-training program was ended in South Vietnam under the Paris peace agreement, a handful of U.S. civilian technicians continue to provide advice in the operation of a newly-installed computer system which keeps tabs on more than 10 million South Vietnamese."

It might be thought that Congressman Crane might have been particularly alarmed by this finding, since it violated the Foreign Aid Bill which had passed a month previously, Section 112 of which specifically stated that none of its funds may be used for the support of "computer training . . . computers, or computer parts for use for South Vietnam with respect to police, criminal, or prison matters."

Far from being alarmed, however, Congressman Crane and the others went on to report that "far from being a secret police device to oppress the populace, as charged by critics, the new computer system is used primarily to curb crime and enforce the law, just as in most advanced countries, including the U.S."

Section III simply repeats the findings of the "exhaustive" study undertaken by the American Embassy to discover the number of political prisoners.

Section IV, however, contains the most shocking statement in this report. Entitled "'Tiger Cages': A Myth Demolished", this section reports on the ASC team's visit to Con Son. Incredibly, on pages 13 and 14, the ASC team writes that:

"And there was no indication that any of the prisoners in the cells, (the Life photos show two to four inmates in each cell) had been shackled."

Thus, Congressman Crane, who reported to Congress on July 29, 1970, that Tiger Cage prisoners had been shackled, co-authored this report 3½ years later reporting no evidence of shackling.

One could go on, but the point is clear: think what one may of the ASC team, the notion that their visit to prisons was either "objective" or "neutral" is clearly untenable. And for Ambassador Martin to allow them to visit, while not supporting visits by either the GAO, a leading U.S. clergyman, former prisoner commissioner of Massachusetts, city councilwoman, or IBM executive, was clearly little more than an exercise in propaganda.

CONCLUSION

The coincidental presence of Ambassador Elbridge Durbrow on the ASC team rather neatly symbolizes the dangers of Ambassador Graham Martin's public embrace of the Thieu regime.

The publication of the Pentagon Papers has revealed that in private Ambassador Durbrow was a firm critic of the Diem regime, since at least January 1960. "When Kennedy took office, the prospect of an eventual crisis in Vietnam had been widely recognized in the government, . . . Our Ambassador in Saigon had been sending worried cables for a year, and twice in recent months . . . [had] cautiously rais[ed] the question of whether the U.S. would not sooner or later have to move to replace Diem."

On September 16, 1960, Ambassador Durbrow sent a cable to Secretary of State Herter proposing that he be allowed to see Diem. Among the topics he proposed discussing with Diem were: "Tran Kim Tuyen, Nhu's henchman and head of secret intelligence service, should be sent abroad in diplomatic capacity because of his growing identification in public mind with alleged secret police methods of repression and control"; "Make public announcement of disbandment of Can Lao party or at least its surfacing . . . to eliminate atmosphere of fear and suspicion and reduce public belief in favoritism and corruption, all of which party's semicovert status has given rise to"; "require all government officials to declare publicly their property . . . in effort dispel rumors corruption; provide people with avenue recourse against arbitrary actions by some government officials"; "If Diem's position in country continues deteriorate as result failure adopt proper political, psychological, economic and security measures, it may become necessary for U.S. Government to begin consideration alternative courses of action and leaders in order achieve our objective."

This is what Ambassador Durbrow was saying in private.

In public, however, it was a different matter. Ambassador Durbrow was continually praising Diem throughout this period publicly as a democratic, popular leader enjoying the full support of his people. And, like Ambassador Martin, he was also not above deceiving Congress. Denis Warner, for example, reports that in the summer of 1959 Ambassador Durbrow gave a glowing report of the economic take-off, growth in security, and consequent possibility that military aid could even be produced, to Senator Mansfield.

The point is clear.

It is impossible for the private citizen to know what to make of Ambassador Martin's recent defense of General Thieu's police state. It is difficult to know whether the prospect that Ambassador Martin really believes or does not in fact believe what he is saying is more distressing.

All that can be said with some certainty is that either way Ambassador Martin's statements about political prisoners in South Vietnam have little intrinsic meaning, and are at variance with all known facts about the issue.

Ideally, of course, the Ambassador might actually fulfill his oath to Congress and take steps to ensure that the Thieu regime release any "communist" prisoners it now holds to the PRG, and any non-communist dissidents to their places of residence in GVN zones, that all torture be stopped, and that new political arrests cease.

Most importantly, Ambassador Martin can and should insist on access to South Vietnamese prisons by a wide variety of govern-

mental and private groups to settle this issue once and for all.

Should the South Vietnamese government refuse access to its prisons by outsiders, the possibility that American aid to Saigon should be suspended must be considered.

Should Ambassador Martin refuse to follow the first and/or second course outlined above, he will have forfeited the trust placed in him by the American people, and should be recalled immediately.

TRIBUTE TO DR. FLOYD M. RIDDICK ON THE PUBLICATION OF THE NEW EDITION OF "SENATE PROCEDURE"

Mr. KENNEDY. Mr. President, "Senate Procedure," the new black-bound volume recently placed on our Senate desks, is this Chamber's newest and most welcome monument. Its publication is not only an important milestone in our body's distinguished history, but also an outstanding tribute to the man who compiled it, our able, respected, and well-loved parliamentarian, Dr. Floyd M. Riddick.

"Senate Procedure" is the Senate's Common Law, the compilation of the rules and precedents by which the Senate lives and functions. As Oliver Wendell Holmes wrote in his famous essay, "The Path of the Law," the life of the law has not been logic, it has been experience. And so it is with the procedures of the Senate, which are the life and experience of our Chamber, so often called the greatest deliberative body in the world.

In this new masterpiece of the rules and their application in the Senate, Dr. Riddick's text holds up a mirror to the Senate at its best, functioning under the rule of law, applying its parliamentary practice to the experience of debate and the necessities of modern legislation.

Dr. Riddick's work comes down to us today from a long line of distinguished parliamentary guides in the history of the Senate. One of the earliest compilations was the work of Thomas Jefferson, prepared during his service as Vice President of the United States and President of the Senate from 1797 to 1801. As he put it in the preface to the work we now call "Jefferson's Manual":

> I have begun a sketch which those who come after me will successively correct and fill up till a code of rules shall be formed for the use of the Senate, the effects of which may be accuracy in business, economy of time, order, uniformity, and impartiality.

Dr. Riddick's new work is faithful to these specific instructions as well as to Jefferson's overall ideal. The Senate is the wiser and the richer for it, and I congratulate our Parliamentarian on the completion and publication of this masterful volume.

HAZARDS OF THE OIL AND GAS WELL DRILLING BUSINESS

Mr. BARTLETT. Mr. President, the hazards of the oil and gas well drilling business are shown in the recent article in Business Week.

I ask unanimous consent to have the article printed in the RECORD.

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

THE RISKS IN DRILLING SUPERDEEP GAS WELLS

For oilmen who had just set a record, the people at Lone Star Producing Co. were unusually somber. The company had just drilled 31,441 ft.—a scant 239 ft. short of 6 mi.—into Oklahoma's Anadarko Basin looking for gas. Instead, the bit tapped into liquid sulfur under tremendous pressure, and hydrogen sulfide began eating away at the expensive high-tensile-steel drill string. For nearly three days, the crew fought back, often wearing gas masks to protect themselves from the lethal gas. Then, suddenly, "the steel just fell apart at 15,000 ft.," says one Lone Star man, "and we couldn't control the great pressures below." The crew quickly plugged the hole at 14,000 ft., dashing all hopes of superdeep production and forcing Lone Star to face the bitter truth that record-breaking Bertha Rogers No. 1 was a $6-million flop.

That near-disaster last month highlights the hazards of superdeep drilling. Yet, with gas prices at record levels, the number of wells being sunk 20,000 ft. or more in the U.S. is limited only by the steel (Bertha Rogers swallowed enough to erect a 14-story building), rigs, and crews available to drill them. Last year, according to *Petroleum Engineer*, producers completed 74 wells below 20,000 ft., up from 49 in 1972 and 57 in 1971. So far this year, some 30 or more have been drilled.

DRY WELLS

With an average cost of $2-million and a success ratio of less than 46%, these deep wells are often cited by oilmen as glaring examples of the big investments they are making to find more oil and gas. "This is what the politicians and the people need to know—the extreme risks in this industry," says Robert A. Hefner III, an independent from Oklahoma City.

More than anyone else, the 39-year-old Hefner is credited with pioneering superdeep drilling in Western Oklahoma and the Texas Panhandle. In the past 15 years, his company, GHK Corp., and Gasanadarko, Ltd., have been involved in about four dozen deep-hole ventures in the Basin. Most were dry. Sometimes even the successful holes did not pay off, says Hefner, because the price of gas was too low. "Actually, the only real payoff Bob has had is in selling some of his acreage," says one acquaintance.

It was on some of Hefner's 250,000 acres that Lone Star spudded Bertha Rogers in November, 1972, about 80 mi. west of Oklahoma City. The new drilling site was just 19 mi. from the previous record-setting hole, a 30,050-ft. well named Baden No. 1 that cost Lone Star $5.5-million—and was dry.

But the company approached Bertha Rogers hopefully, and until the very end, things looked good. At 27,506 ft., the crew manning Loffland Bros.' towering superdeep rig was 70 days ahead of the Baden schedule. Juggling drilling tools and carefully controlling special drilling fluids, they were getting an impressive 267 ft. per bit.

DISAPPOINTMENT

Then disaster hit. At first, when the company became tightlipped about what was going on, some observers suspected that Lone Star had hit a bonanza. But the silence actually reflected concern over the safety of the crew. When the hole was finally plugged, Lone Star announced its costly record. Some of the money may be recovered from production at lesser depths, but there is little chance that Bertha Rogers will ever pay off, and Lone Star's minor partners—Natural Gas Pipeline Co. of America, Michigan Wisconsin Pipe Line Co., and Oklahoma Natural Gas Co.—will have to look elsewhere for gas.

Lone Star, for one, says it will try superdeep drilling again. "Several more wells as deep or deeper than Bertha Rogers No. 1 will be needed before the Anadarko Basin becomes a mature, commercial field, and we'll drill some of them," says one official. But as Hefner notes: "The disappointment is that Bertha Rogers didn't produce at a time when the nation needs new gas."

FINANCIAL DISCLOSURE BY SENATOR GRAVEL

Mr. GRAVEL. Mr. President, on April 11, the U.S. Senate passed S. 3044, the campaign reform bill. That final vote marked a solid victory for the forces of reform, for those who wish to rid this country of the corrosive influence of big money and well-heeled special interests.

I have introduced and supported similar legislation during my 5½ years as Alaska's Senator.

One part of the reform bill requires every Member of Congress, and every candidate for election to Congress, to release a financial disclosure statement for the preceding year.

I support that plan, but I am convinced it does not go far enough in establishing public accountability. Therefore, Mr. President, I have decided to voluntarily include in the RECORD my complete tax returns for every year beginning with 1969—my first year of service in the Senate. Since I have also paid both Alaska and Maryland State income taxes, I am including those returns as well.

In addition, I am including for the same period of time, the confidential statement on assets and liabilities that we as Senators file with the General Accounting Office each year. I have also included the statements on contributions and honorariums filed each year with the Secretary of the Senate.

Finally, I am including a personal statement, prepared by my accountant, of my total assets, total liabilities and net worth as of December 31, 1968, and another as of December 30, 1973. These two show all changes in my financial situation during my years in the Senate.

Frankly, I do not personally enjoy making this disclosure. I treasure my financial and other privacy as much as anyone else. A disclosure of this kind shows the fact that we are all as human in our financial affairs, as we are in other areas of life. But, I believe such a disclosure should be made. I gave up the right to this financial privacy when I was elected to the Senate. If I were a private citizen, I would demand such disclosure from my elected representatives. I, therefore, have decided to demand it of myself even though the law does not require it. Even the reform bill that was passed by the Senate does not require this extensive a disclosure.

It is a completely voluntary act on my part, but one which is demanded by the times in which we live. I look at it as a step forward in assuring the citizens' "right to know." I think the events of the last year have made clear the importance of this basic right.

The people have a right to know whether their public servants from the

President on down, are claiming illegal deductions, or using public funds for private benefit, or cutting corners in their income tax returns. Every time someone does something like that, the rest of the citizens—the average taxpayers—end up paying for it.

In its simplest terms, financial disclosure is an effort at reestablishing a bond of trust between the people and their elected representatives. It is this delicate and necessary bond that we are in danger of losing today.

Now is the time to strengthen that bond; now is the time to restore the democratic principle of public accountability.

Mr. President, I ask unanimous consent that my tax returns and other financial information be printed in the RECORD.

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

U.S. INDIVIDUAL INCOME TAX RETURN—1969

First name and initial (if joint return, use first names and middle initials or both): Maurice R. & Rita Gravel.

Present home address (Number and street or rural route): P.O. Box 2283, Anchorage, Alaska 99501.

Your ocupation, U.S. Senator.

Spouse's occupation, homemaker.

2. Married filing joint return.

EXEMPTIONS

7a. Yourself.

7b. Spouse (applies only if line 2 or line 6 is checked).

Enter number of boxes checked, 2.

8. First names of your dependent children who lived with you: Martin, Lynne.

Enter number, 2.

10. Total exemptions from lines 7, 8 and 9 above, 4.

INCOME

11. Wages, salaries, tips, etc., $40,250.00.

14. Other income: Total from attached schedules, D, E, $6,315.33.

15a. Total (Add lines 11, 12c, 13 & 14), $33,934.67.

15b. Less Adjustments (See 1040–1), $9,157.89.

Adjusted Gross Income, $24,776.78.

18. Tax Rate Sch., $3,511.97.

YOUR CREDITS

19. Total Federal income tax withheld, $9,796. 20.

22. 1969 Estimated tax payments, $236.74.

23. Total (add lines 19, 20, 21, and 22), $10,032.94.

25. If line 23 is larger than line 18, enter overpayment, $6,520.97.

26. Line 25 to be refunded, $6,520.97.

FEDERAL INCOME TAX INFORMATION

Federal income tax withheld, $9,796.20.

Wages paid subject to withholding in 1969, $40,250.00.

SOCIAL SECURITY INFORMATION

(Not Subject to FICA tax).

ITEMIZED DEDUCTIONS, 1969

Name as shown on Form 1040: Maurice R. and Rita Gravel.

Medical and dental expenses (not compensated by insurance or otherwise) for medicine and drugs, doctors, dentists, nurses, hospital care, insurance premiums for medical care, etc.:

1 One half of insurance premiums for medical care (but not more than $150), $54.10.

2 Medicine and drugs, $62.50.

3. Enter 1% of line 15c, Form 1040, $247.77.

5 Itemize other medical and dental expenses:

Hospitalization, $54.10.

Doctors:

M. Jackson, $21.00.

A. Homay, $25.00.

F. G. Burke, $47.00.

T. M. Fuley, $35.00.

J. O'Neill, $25.00.

J. A. Schulte, $20.00.

G. L. Fechter, $76.00.

M. M. Parks, $40.00.

Dentists:

L. L. Ziemianski, $135.00.

G. O. Gould, $175.00.

6 Total (add lines 4 and 5), $653.10.

7 Enter 3% of line 15c, Form 1040, $743.30.

9 Total deductible medical and dental expenses (add lines 1 and 8), $54.10.

Taxes:

Real estate, $33.00.

State and local gasoline, $41.00.

General sales, $178.65.

10 Total taxes, $252.65.

Contributions.—Cash—including checks, money orders, etc.:

Zeck Ostrosny Memorial Fund, $25.00.

Alaska State Society, $5.00.

Alaska Heart Association, $2.00.

11 Total cash contributions, $32.00.

14 Total contributions, $32.00.

Interest expense:

Hornblower & Weeks, $34.23.

American Security & Tr., $350.26.

Sec. Bk. & Tr. Co. of Bozeman, $252.90.

Kenai Lot, $100.00.

National Bank of Alaska, $1,628.51.

15 Total interest expense, $2,365.90.

Miscellaneous deductions for child care, alimony, union dues, casualty losses, etc.:

From form 2106, $3,746.38.

Legal expense (income protection), $194.97.

16. Total miscellaneous deductions, $3,941.35.

17 Total itemized deductions, $6,646.00.

SCHEDULE D: SALES OR EXCHANGES OF PROPERTY, 1969

Name as shown on Form 1040: Maurice R. and Rita Gravel.

PART I—CAPITAL ASSETS

a. Kind of property: Loan.

b. Description: Installment loan.

d. Date acquired: 1–6–69.

e. Date sold: 1–69.

f. Gross sales price: $12,000.00.

h. Cost or other basis, cost of subsequent improvements and expense of sale: $12,754.78.

I. Gain or loss: ($754.78).

Securities (a) Schedule attached ($12,-275.34).

4. Net short-term gain (or loss) from lines 1, 2, and 3, ($13,030.12).

5. Enter gain from Part II, line 3, $3,557.72.

a. Kind of property: Real estate.

b. Description: Land & building Spenard, AK.

d. Date acquired: 9–62.

e. Date sold: 5–27–69.

f. Gross sales price: $12,524.01.

g. Depreciation allowed since acquisition: $6,172.91.

h. Cost or other basis, cost of subsequent improvements and expense of sale: $21,684.21.

I. Gain or less: ($2,987.29).

Securities, (A) Schedule attached, ($81.71).

9. Net long-term gain (or loss) from lines 5, 6a, 6b, 7, and 8, $488.72.

10. Combine the amounts shown on lines 4 and 9, and enter the net gain (or loss) here, ($12,540.41).

13. If line 10 shows a loss—Enter here and in Part IV, line 1, the smallest of: (a) line 10; (b) line 3, Sch. T., (line 15c, Form 1040, if tax table used) computed without capital gains or losses; or (c) $1,000, ($1,000.00).

PART II—GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY UNDER SECTIONS 1245 AND 1250—

a. Kind of property and how acquired (if necessary, attach statement of descriptive details not shown below—write 1245 or 1250 to indicate type of asset): Office Building & Land-Kenai.

b. Date acquired (mo., day, yr.): 1–1968.

c. Date sold (mo., day, yr.): 8–14–69.

d. Gross sales price: $32,000.00.

e. Cost or other basis, costs of subsequent improvements (if not purchased, attach explanation) and expense of sale: $26,250.26.

f. Depreciation allowed (or allowable) since acquisition:

f-2. After December 31, 1961 or after December 31, 1963: $2,478.00.

g. Adjusted basis: $23,772.26.

h. Total gain: $8,227.74.

i. Ordinary gain: $1,112.30.

j. Other gain: $7,115.44.

Less one-half undivided interest reported by Stanley Harnut:

i. Ordinary gain: ($556.15).

j. Other gain: ($3,557.72).

2. Total ordinary gain, $556.15.

3. Total other gain, combined with other gains and losses from section 1231 property, $3,557.72.

PART IV—TOTAL GAINS OR LOSSES FROM SALE OR EXCHANGE OF PROPERTY

1. Net gain (or loss) from Part I, line 12 or 13, ($1,000.00).

2. Total ordinary gain from Part II, line 2, $556.15.

4. Total net gain (or loss), combine lines 1, 2, and 3 ($443.85).

SCHEDULE E; SUPPLEMENTAL AND MISCELLANEOUS INCOME, 1969

Name as shown on Form 1040: Maurice R. and Rita Gravel.

PART II.—RENT AND ROYALTY INCOME

1. Kind and location of property: Spenard Rental—4 units, Anchorage, Alaska.

2. Total amount of rents: $1,300.00.

4. Depreciation or depletion: $341.74.

5. Other expenses: $838.39.

1. Kind and location of property: Keni Office Building, Keni, Alaska.

2. Total amount of rents: $903.59.

4. Depreciation or depletion: $450.00.

5. Other expenses: $753.42.

1. Totals:

2. Total amount of rents: $2,203.59.

4. Depreciation or depletion: $791.74.

5. Other expenses: $1,591.81.

2. Net income (or loss) from rents and royalties ($179.96).

PART III.—INCOME OR LOSSES FROM PARTNERSHIPS, ESTATES OR TRUSTS, SMALL BUSINESS CORPORATIONS, AND MISCELLANEOUS INCOME

(a) Name and address: Mike Gravel Real Estate Development, Inc., small business corporation.

(c) Employer identification number: x...-xxx-xx-...

(d) Income or loss: ($5,183.52).

(a) Name and address; Honorariums, miscellaneous income.

(d) Income or loss: $4,350.00.

(a) Name and address:

Schedule attached.

(d) Income or loss: ($4,858.00).

1. Income (or loss) total of column (d), ($5,691.52).

Total of parts I, II and III, ($5,871.48).

Schedule for depreciation claimed in part II above

1. Group and guideline class or description of property: Keni Building.

2. Date acquired: 1–68.

3. Cost or other basis: $11,835.51.

4. Depreciation allowed or allowable in prior years: $1,578.00.

5. Method of computing depreciation: DDB.

6. Life or rate: 15 years.

7. Depreciation for this year: $854.00.

1. Group and guideline class or description of property: additions.

2. Date acquired: 6–69.
3. Cost or other basis: $3,347.96.
5. Method of computing depreciation: DDB.
6. Life or rate: 15 years.
7. Depreciation for this year: $46.00.
1. Group and guideline class or description of property: Spenard Rental.
2. Date acquired: 9–62.
3. Cost or other basis: $32,500.00.
4. Depreciation allowed or allowable in prior years: $10,200.00.
5. Method of computing depreciation: S.L.
6. Life or rate: 20 years
7. Depreciation for this year: $677.00.
1. Group and guideline class or description of property: Tappan Range.
2. Date acquired: 12–67.
3. Cost or other basis: $70.00.
4. Depreciation allowed or allowable in prior years: $23.32.
5. Method of computing depreciation: DDB.
6. Life or rate: 6 years.
7. Depreciation for this year: $6.48.
1. Group and guideline class or description of property: Less ½ undivided interest.
7. Depreciation for this year: ($791.74).
2. Totals, $791.74.

EMPLOYEE BUSINESS EXPENSES, 1969

Your name: Maurice R. and Rita Gravel.
Employee's name: U.S. Government.
Occupation in which expenses were incurred: U.S. Senator.

PART I.—EMPLOYEE BUSINESS EXPENSES WHICH ARE DEDUCTIBLE COMPUTING ADJUSTED GROSS INCOME

1. Travel expenses while away from home on business:
(a) Railroad, airplane, boat, etc., fares, $4,619.50.
(b) Meals and lodging, $1,726.65.
(d) Other travel expenses: Living expenses under Public Law 471—see certification, $3,000.00.
Total travel expenses, $9,346.15.
5. Total of lines 1, 2, 3, and 4, $9,346.15.
6. Less: Amount of employer's payments for above expenses, $1,831.60.
7. Excess expenses, $7,514.55.

PART II.—EMPLOYEE BUSINESS EXPENSES WHICH ARE DEDUCTIBLE IF YOU ITEMIZE DEDUCTIONS ON SCHEDULE A

1. Business expenses other than those included above: Expenses of Senator in excess of reimbursement: Communications $219.87, dues $997.78, schooling $175.00, public relations $2,001.85, office expense $351.85.
2. Total $3,746.38.

FORM 3903: MOVING EXPENSE ADJUSTMENT, 1969

Name as shown on Form 1040: Maurice R. and Rita Gravel.
Dates of move: Departed January, 1969; Arrived January, 1969.
Name and address of employer at old location:
Mike Gravel Real Estate Development, Inc., P.O. Box 2283, Anchorage, Alaska.
Name and address of employer at new location:
U.S. Senate, Washingon, D.C.
Address of old residence: 468 Aurora Drive, Anchorage, Alaska.
Period of employment in new location: From January, 1969 to present.

SCHEDULE OF EXPENSES

2. Transportation of household and personal property, $1,643.34.
3. Total moving expenses, $1,643.34.
5. If employer's payments (line 4) are less than moving expenses (line 3), enter the excess expenses here and include in line 15(b), $1,643.34.

TAX COMPUTATION, 1969

Name as shown on Form 1040: Maurice R. and Rita Gravel.
1. Your adjusted gross income (from line 15c, Form 1040), $24,776.78.
2. Enter on the line at the right the amount of your deduction figured under one of the following methods:
a. If you itemize deductions, enter the total from schedule A, line 17: $6,646.00.
3. Subtract the amount on line 2 from the amount on line 1 and enter the balance here, $18,130.78.
4. Enter number of exemptions claimed on line 10, Form 1040, 4. Multiply this number by $600, and enter amount here, $2,400.00.
5. Subtract the amount on line 4 from the amount on line 3 and enter the balance here: $15,730.78.
6. Tax, $3,192.70.
8. Subtract line 7 from line 6, $3,192.70.
9. Tax surcharge, $319.27.
10. Total (Add lines 6 and 9), $3,511.97.
15. Income tax, $3,511.97.
18. Total tax, $3,511.97.

SCHEDULE D, PART II

Computation of ordinary gain from office building:
Total gain, $822.77.
Accelerated depreciation allowed since December 31, 1963, $2,478.00.
Less depreciation at straight-line, $1,319.35.
Excess depreciation, $1,158.65.
Less 1% for each month held over 20 months (4% of $1,158.65), $46.35.
Ordinary gain, ($1,112.30).
Capital gain, $711.54.

SCHEDULE E, RENT INCOME

	Keni	Spenard
Interest	$891.59	$699.62
Taxes	239.25	30.62
Insurance	376.00	
Utilities:		
Gas		212.00
Electricity		266.45
Garbage		39.52
Repairs-general maintenance		307.24
Auto expense		94.95
Advertising		26.99
Total:	1,506.84	1,676.77
Undivided one half share of each to Schedule E	753.42	838.39

SCHEDULE E: PART III, MISCELLANEOUS INCOME

Publishing of Book:	
Printing costs	$5,778.00
Less revenue from book sales	(920.00)
Loss from publishing	4,855.00

Schedule of Short-term Capital Gains and Losses:
Description: 80 Sh. Monogram Industries; date acquired, 11/14/69; date sold, 10/30/69; sales price, $2,347.15; purchase price, $2,156.30; gain or (loss), $190.
Description: 61 Sh. Hamilton Bros, Petrol; date acquired, 7/7/69, date sold, 12/4/69; sales price, $3,645.92; purchase price, $4,977.83; gain or (loss), ($1,331).
Description: 200 Sh. Syracuse Oils Ltd. date acquired, 9/16/69; date sold, 12/4/69; sales price, $506.00; purchase price, $1,226.00; gain or (loss), ($720).
Description: 100 Sh. Standard Oil Calif.; date acquired, 9/17/69; date sold, 12/4/69; sales price, $5,113.43; purchase price, $6,307.71; gain or (loss), ($1,194).
Description: 14 Calls Phillips Petroleum; date acquired, 9/5/69; date sold, 11/7/69; sales price, none; purchase price, $4,795.00; gain or (loss), ($4,795.00).
Description: 10 Calls Standard Oil; date acquired, 9/10/69; date sold, 12/15/69; sales price, none; purchase price, $4,425.00; gain or (loss), ($4,425.00).
Total short-term gains & losses: (12,275.00).
Schedule of Long-term Capital Gains and Losses:
Description: 16 Sh. Amer. Photocopy Equip.; date acquired, 1/11/68; date sold, 5/16/69; sales price, $217.39; purchase price, $241.50; gain or (loss) ($24.11).
Description: 16 Helene Curtis Ind. Inc. date acquired, 1/11/68; date sold, 5/16/69; sales price, $266.91; purchase price, $294.22; gain or (loss), ($27.31).
Description: 20 St. Dymo Industries Inc.; date acquired, 1/24/68; date sold, 5/16/69; sales price, $496.36; purchase price, $526.65; gain or (loss), ($30.29).
Total long-term gains & losses: ($81.71).
I hereby certify that I was in a travel status in the Washington area, away from home, in the performance of my official duties as a Member of Congress, and my deductible living expenses while in such travel status amounted to over $3,000.00.

U.S. SMALL BUSINESS CORP.

Income tax return for the calendar year 1969 or taxable year beginning Oct. 1, 1968, ending Sept. 30, 1969.
A. Date of election as small business corporation: October 14, 1966.
B. Business Code No. 6650.
C. Employer identification no.: x...
D. County in which located: Greater Anchorage.
E. Enter total assets from line 14, column D, Schedule L: $32,054.91.
Name: Mike Gravel Real Estate Development, Inc., Box 2283, Anchorage, Alaska 99501.

GROSS INCOME

1. Gross receipts or gross sales, $16,324.40.
3. Gross profit, $16,324.40.
(c). Net gain (loss) from sale or exchange of property other than capital assets, $401.26.
10. Other income, ($6,237.34).
11. Total income, lines 3 through 10, $10,488.32.

DEDUCTIONS

12. Compensation of officers, $6,240.00.
13. Salaries and wages, $1,050,00.
14. Repairs, $75.00.
16. Rents, $1,337.66.
17. Taxes, $361.77.
18. Interest, $176.18.
22. Depreciation, $406.54.
24. Advertising, $361.29.
26. Other deductions, $5,663.40.
27. Total deductions on lines 12 through 26, $15,671.84.
28. Taxable income, line 11 less line 27, ($5,183.52).

SCHEDULE E—COMPENSATION OF OFFICERS

1. Name of officer: Maurice R. Gravel; 2. Social security number, XXXX 3. Title President; 4. Time devoted to business, part; 5. Percentage of corporation stock owned, 40%; 6. Amount of compensation, $6,240.00.
Total compensation of officers, $6,240.00.
1. Group and guideline class or description of property: Furniture and fixtures; 2. Date acquired, various; 3. Cost of other basis, $4,384.05; 4. Depreciation allowed or allowable in prior years, $1,102.37; 5. Method of computing depreciation, DDB; 6. Life or rate, VAR; 7. Depreciation for this year, $193.60.
1. Group and guideline class or description of property; Transportation equipment; 2. Date acquired, 5–31–68; 3. Cost of other basis, $4,227.06; 4. Depreciation allowed or allowable in prior years, $656.25; 5. Method of computing depreciation, S.L.; 6. Life or rate, 4; 7. Depreciation for this year, $187.50.
1. Group and guideline class or description of property: Machinery and other equipment, 2. Date acquired, 3–67; 3. Cost of other basis, $324.45; 4. Depreciation allowed or allowable in prior years, $70.08; 5. Method of computing depreciation, DDB; 6. Life or rate, 10; 7. Depreciation for this year, $25.44.
Totals, cost or other basis, $8,935.56; depreciation for this year, $406.54.
Balance, $406.54.

SCHEDULE H—SUMMARY OF DEPRECIATION

Straight line, $187.50; declining balance, $219.04; total, $406.54.

SCHEDULE J—TAX COMPUTATION

(b) Subtract $6,500 and enter difference, $6,500.00.

4. Subtract $25,000—statutory minimum, $25,000.00.

SCHEDULE K—SHAREHOLDERS' SHARES OF INCOME

1. Name of each shareholder: Maurice R. Gravel; social security number, [redacted]

2. Stock ownership: number of shares, 4,000; period held, from 9–19–66 to present.

1. Name of each shareholder: Rita J. Gravel; social security number, [redacted]

2. Stock ownership: number of shares, 6,000; period held, from 9–19–66 to present.

4. Compensation: $6,240.00.

Total compensation, $6,240.00

5. Dividend date, 9–30–69.

6. Share of undistributed taxable income or net operating loss, $2,073.41.

6. Share of undistributed taxable income or net operating loss, $3,110.11.

Total, $5,183.52.

F. Date incorporated, 9–19–66.

G. Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of a domestic corporation? No.

H. Did the corporation during the taxable year have any contracts or subcontracts subject to the Renegotiation Act of 1951? No.

I. Amount of taxable income (or loss) for: 1967, $9,683.69; 1968, $13,342.27.

J. Refer to instructions for business activity codes and state the:

Principal business activity, real estate.

Principal product or service, consulting and developing.

K. Were you a member of a controlled group subject to the provisions of sections 1561 or 1562? No.

L. Did you claim a deduction for expenses connected with any:

(1) Entertainment facility? No.

(2) Living accommodations? No.

(3) Employees' families at conventions or meetings? No.

(4) Employee or family vacations not reported on Form W–2? No.

M. Were you liable for filing Forms 1096 and 1099 or 1087 for the calendar year 1969? No.

N. Was there any substantial change in the manner of determining quantities, costs, or valuations between opening and closing inventory? None.

SCHEDULE L—BALANCE SHEETS

ASSETS

1. Cash, beginning of taxable year (B) Total, 1,382.86; end of taxable year (D) Total $401.03.

2. Trade notes and accounts receivable, beginning of taxable year (A) Amount, $61,-275.78; end of taxable year (C) Amount, $6,-460.43.

(a) Less allowance for bad debts, beginning of taxable year (B) Total $61,275.78; end of taxable year (D) Total $6,460.43.

6. Loans to shareholders, end of taxable year (D) Total $24,939.08.

9. Buildings and other fixed depreciable assets, beginning of taxable year (A) $8,-935.56; end of taxable year (C) Amount $324.45.

(a) Less accumulated depreciation, beginning of taxable year (A) $1,828.70 (B) $7,-106.86; end of taxable year (C) $70.08 (D) Total $254.37.

13. Other assets (attach schedule), beginning of taxable year (B) Total $24,426.75.

14. Total assets, beginning of taxable year (B) Total $94,192.25; end of taxable year (D) Total $32,054.91.

LIABILITIES AND SHAREHOLDERS' EQUITY

15. Accounts payable, beginning of taxable year (B) Total $67,166.71; end of taxable year (D) Total $21,309.95.

16. Mtges., notes, bonds payable in less than 1 yr., beginning of taxable year (B) Total $8,750.00; end of taxable year (D) Total $5,956.18.

20. Other liabilities (attach schedule), beginning of taxable year (B) $8,257.54.

21. Capital stock, beginning of taxable year (B) $10,000.00; end of taxable year (D) Total $4,788.78.

27. Total liabilities and shareholders' equity, beginning of taxable year (B) $94,-192.25; end of taxable year (D) $32,054.91.

SCHEDULE M–1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1. Net income per books ($5,211.22).

5. Expenses recorded on books this year not deducted in this return (itemize) penalty $27.70.

6. Total of lines 1 through 5 ($5,183.52).

10. Income (line 28, page 1)—line 6 less line 9 ($5,183.52).

SCHEDULE D: GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY, 1968

Name: Mike Gravel Real Estate Development, Inc.

Employer identification number: [redacted]

PART 1—GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY

a. Kind of property: Office furniture; b. Date acquired, 1967–68; c. Date sold, 12–31–68; d. Gross sales price, $2,900.00; e. Cost or other basis, cost of subsequent improvements and expense of sale, $4,355.70.

1. Depreciation allowed (or allowable) since acquisition:

f–2. After December 31, 1961 or after December 31, 1963, $1,240.27; g. Adjusted basis, $3,115.43; h. Total gain, $784.57; i. Ordinary gain, $784.57.

2. Total ordinary gain, $784.57.

a. Kind of property:

PART IV—PROPERTY OTHER THAN CAPITAL ASSETS

Gain from part 1, 1968 Oldsmobile, b. Date acquired, 11–13–67; c. Date sold, 12–31–68; d. Gross sales price, $3,000.00; e. Depreciation allowed since acquisition, $843.75; f. Cost or other basis, cost of subsequent improvements and expense of sale, $4,227.06; g. Gain or loss, $784.57 minus $383.31.

Total net gain (or loss), $401.26.

FORM 1120S

Mike Gravel Real Estate Development, Inc., year ended, September 30, 1969.

Page 1, line 10, other income: Loss from partnership—Today in Alaska, $6,237.34.

Page 1, line 17:

Payroll taxes, $193.17.

Business license tax, $168.60.

Total, $361.77.

Page 1, line 26, other deductions:

Professional consulting fees, $4,496.35.

Auto expense, $87.40

Insurance, $354.75.

Office expense, $271.19.

Dues and miscellaneous, $453.65.

Total, $5,663.40.

Schedule 1, line 13, other assets, 1968:

Prepaid insurance, $420.75.

Deposits, $110.00.

Due from partnerships, $11,960.53.

Kenai property, $11,935,47.

Total, $24,426.75.

Line 20, other liabilities:

Real estate trust liability, $4,745.00.

Deferred income, $2,673.00.

Payroll taxes, $857.54.

Total, $8,275.54.

FORM 502: MARYLAND TAX RETURN, 1969

Maurice R. and Rita, Gravel, 714 Braeburn, Tantallon, Maryland 20022.

Your occupation: U.S. Senator;

Spouse's occupation: Homemaker.

A. Your filing status: Married filing joint return.

1. Did you establish or abandon legal residence in Maryland in 1969? No.

Exemptions: Yourself, spouse.

Number checked—2.

First name of dependent children: Martin, Lynne.

Total exemptions, 4.

INCOME

1. Total Income, $24,776.78.

3. Total, $24,776.78.

5. Total Maryland income, $24,776.78.

TAX COMPUTATION

6. Exemptions, 4.

8. If you itemize deductions, enter total deductions, $6,646.00.

9. Net income, $18,130.78.

10. Number of Exemptions X $800, $3,200.50.

11. Taxable net income, $14,930.78.

TAX

12. Maryland Tax, $686.54.

13. Local income tax, $343.27.

14. Total Maryland and local income tax, $1,029.81.

17. Credit for income tax paid another State $409.44.

19. Total payments and credits, $409.44.

20. Balance due, $620.37.

22. Combined balance due, $620.37.

WAGE AND TAX STATEMENT 1969

Federal income tax withheld, $9,796.20.

Wages paid subject to withholding in 1969, $40,250.00.

SCHEDULE A—INCOME AND ADJUSTMENTS FROM FEDERAL RETURN

1. Wages, salaries, tips, etc., $40,250.00.

4. Pensions and annuities, rents and royalties, partnerships, estates or trusts, etc., ($179.96).

6. Sale or exchange of property, ($443.85).

8. Miscellaneous sources, $5,691.52).

9. Total, $33,934.67.

10. Adjustments, $9,157.89

11. Total income, $24,776.78.

SCHEDULE B—ITEMIZED DEDUCTIONS FROM FEDERAL RETURN WITH ADJUSTMENTS

1. Medical and dental expense, $54.10.

2. Taxes, $252.65.

3. Contributions, $32.00.

4. Interest, $2,365.90.

5. Miscellaneous, $3,941.35.

6. Total, $6,646.00.

8. Total, $6,646.00.

SCHEDULE E—COMPUTATION OF TAX

Rate of tax: 2% on first $1,000; amount of income taxable at each rate, $1,000.00, amount of tax, $20.00.

Rate of tax: 3% on second $1,000; amount of income taxable at each rate, $1,000.00, amount of tax, $30.00.

Rate of tax: 4% on third $1,000; amount of income taxable at each rate, $1,000.00, amount of tax, $40.00.

Rate of tax: 5% on all in excess of $3,000; amount of income taxable at each rate, $11,930.78, amount of tax, $596.54.

Totals, amount of income taxable at each rate, $14,930.78; amount of tax, $686.54.

TAX CREDITS FOR INCOME TAXES PAID TO OTHER STATES AND MARYLAND PERSONAL PROPERTY TAXES, 1969

Name: Maurice R. & Rita Gravel, 714 Braeburn, Tantallon, Maryland 20022, Prince George's County.

1. Taxable Net Income, $14,930.78.

2. Income Taxable In Other State, $11,-380.78.

3. Revised Taxable Net Income, $3,550.00.

4. Tax on Amount on Line 3, $117.50.

CREDIT COMPUTATION

5. Maryland Tax, $686.54.

6. Tentative Tax Credit, $569.04.

7. Tax Paid to State of Alaska, $409.44.

Business: Trade Name & Address, U.S. Senator, U.S. Senate, Washington, D.C.

Is the business a Partnership? No.

DR 600R: ALASKA INDIVIDUAL INCOME TAX RETURN, 1969

Maurice R. and Rita Gravel, P.O. Box 2283, Anchorage, Alaska 99501.

Your occupation: U.S. Senator; wife's occupation; homemaker.
Enter adjusted gross income from line 15C, Form 1040, $24,776.78.
Alaska adjustments to Federal gross:
Delete non-Alaska Income, $4,350.00.
Enter sum of lines 7ACBD, $4,350.00.
Adjusted Gross Income for Alaska tax computation, $20,426.78.
If you itemize deductions, enter total from Schedule A, line 17, Form 1040, $6,646.00.
Subtract line 10A from line 8, $13,780.78.
Net Alaska taxable income, $13,780.78.
Enter total personal exemption credits from line 4 of Schedule T, Form 1040, $2,400.00.
Subtract line 10E from line 10D. Enter balance on this line, $11,380.78.
Tax, $2,559.00.
Income tax, $2,559.00.
Total tax, $2,559.00.
Enter your Alaska Income tax, $409.44.
Enter your Disaster Tax, $10.00.
Enter your School Tax, $10.00.
Total Tax, $429.44.
1969 Estimated tax payments, $138.02
Total, $138.02.
If payments (line 25) are less than tax (line 20), enter Balance Due, $291.42.
Do you owe any Alaska tax for years before 1969? No.

WAGE AND TAX STATEMENT 1969

Federal income tax withheld, $9,796.20.
Wages paid subject to withholding in 1969, $40,250.00.

FORM DR600R

Maurice R. and Rita Gravel, calendar 1969.
Line 7c, non-Alaska income:
Honorariums earned outside the State, $4,350.00.

U.S. INDIVIDUAL INCOME TAX RETURN, 1970

Maurice R. and Rita Gravel, 714 Braeburn Drive, Tantallon, Maryland 20022.
Occupation: Yours, U.S. Senator; spouse's, homemaker.
Filing Status: 2. Married filing jointly.
Exemptions: 7. Yourself, 8. Spouse.
Number of boxes checked—2.
9. First names of your dependent children who lived with you: Martin, Lynn.
11. Total exemptions claimed, 4.

INCOME

12. Wages, salaries, tips, etc., $42,500.00.
15. Income other than wages, dividends, and interest, ($6,609.04).
16. Total, $35,890.96.
17. Adjustments to income, $3,000.00.
18. Adjusted gross income, $32,890.96.

TAX AND SURCHARGE

19. Tax, $6,099.88.
20. Tax surcharge, $152.50.
21. Total, $6,252.38.

PAYMENTS AND CREDITS

23. Income tax, $6,252.38.
25. Total, $6,252.38.
26. Total Federal income tax withheld, $9,739.20.
29. Total, $9,739.20.
31. If line 29 is larger than line 25, enter overpayment: $3,486.82.
32. Line 31 to be: $3,486.82.

WAGE AND TAX STATEMENT, 1970

Federal income tax withheld, $9,739.20
Wages paid subject to withholding in 1970, $42,500.00.

SCHEDULE C–2, EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED

a. Group and guideline class, or description of property, furniture and fixtures; b. Date acquired, 1969; c. Cost or other basis, $411.42; e. Method of computing depreciation, SL; f. Life or rate, 4 yrs; g. Depreciation for this year, $102.85.
Totals, $102.85.
Balance, $102.85.
Straight line, $102.85.

SCHEDULE C: PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION, 1970

Maurice R. & Rita Gravel.
A. Principal business activity: U.S. Senator.
B. Business name: Honorable Mike Gravel.
D. Business address: United States Senate, Washington, D.C.
E. Indicate method of accounting: (1) cash.
G. Were you required to file Forms 1096 and 1099 or 1087 for the calendar year 1970? No.
1. Gross receipts or gross sales, Honorariums, $4,870.00.
10. Gross profit, $4,870.00.

OTHER BUSINESS DEDUCTIONS

11. Depreciation, $102.85.
24. Other business expenses, $7,964.19.
25. Total of lines 11 through 24, $8,067.04.
26. Net profit (or loss), ($3,197.04).

SCHEDULE C–1. EXPLANATION OF LINES 6, 12, 14, AND 24

Line No. 24:
Auto and local travel, $1,904.23.
Public relations, $1,682.08.
Dues and subscriptions, $582.51.
Travel expenses, $4,105.43.
Office expense (reimb.), ($310.06).

SCHEDULE D: SALES OR EXCHANGES OF PROPERTY, 1970

Maurice R. and Rita Gravel.

CAPITAL ASSETS—SHORT-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD NOT MORE THAN 6 MONTHS

a. Kind of property. Indicate security, real estate, or other: Inv. in Corp.;
b. Description, John Lloyd Films;
c. How acquired. Enter letter symbol, (e);
d. Date acquired, 5/21/70;
e. Date sold, (mo., day, yr), out of business less than 6 months;
h. Cost or other basis, cost of subsequent improvements and expense of sale, $3,400.00;
i. Gain (or loss), ($3,400.00).
4. Enter unused short-term capital loss carryover from preceding taxable years, ($11,540.41).
5. Net short-term gain (or loss) from lines 3 and 4, ($14,940.41).

LONG-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD MORE THAN 6 MONTHS

a. Kind of property. Indicate security, real estate, or other: Security.
b. Description, Hamilton Petrol.
c. How acquired. Enter letter symbol (a).
d. Date acquired, 1969.
e. Date sold (mo., day, yr.), 9/25/70.
f. Gross sales price, $6,645.00.
h. Cost or other basis, cost of subsequent improvements, and expense of sale $6,125.00.
i. Gain (or loss) $520.00.
13. Net long-term gain (or loss) from lines 11 and 12, $520.00.
14. Combine the amounts shown on lines 5 and 13, and enter the net gain (or loss) here, ($14,420.41).
16. If line 14 shows a loss—(a) Add lines 4 and 12, (($11,540.41).
(c) Enter $1,000, ($1,000.00).
(f) Enter here, and on line 17, Part II, the sum of lines 16(c) and 16(e), ($1,000.00).

PART II SUMMARY OF SCHEDULE D GAINS AND LOSSES

17. Net gain (or loss) from line 15(b) or 16(f), Part I, ($1,000.00).
19. Total net gain (or loss), combine lines 17 and 18, ($1,000.00).

SCHEDULES E&R—SUPPLEMENTAL INCOME SCHEDULE AND RETIREMENT INCOME CREDIT COMPUTATION, 1970

INCOME OR LOSSES FROM PARTNERSHIPS, ESTATES OR TRUSTS, AND SMALL BUSINESS CORPORATIONS

(a) Name and address: Mike Gravel R. E. Development Inc., Small business corporation; (c) Employer identification number, 92-0033655; (d) Income or loss, ($2,412.00).
1. Income (or loss), (2,412.00).
Total of parts I, II, and III (2,412.00).

EMPLOYEE BUSINESS EXPENSES, 1970

Maurice R. and Rita Gravel.
Occupation in which expenses were incurred: U.S. Senator.
Employer's name, U.S. Government; Employer's address, U.S. Senate.

PART I. EMPLOYEE BUSINESS EXPENSES WHICH ARE DEDUCTIBLE IN COMPUTING ADJUSTED GROSS INCOME

Living Expenses Under Code Sec. 162(a) (3) IRC See attached certification, $3,000.00.
7. Excess expenses, $3,000.00.

CLARK SHERWOOD & CO.,
TAX CONSULTANTS,
Wheaton, Md.

I hereby certify that I was in a travel status in the Washington area, away from home, in the performance of my official duties as a Member of Congress, for 208 days during the taxable year, and my deductible living expenses while in such travel status amounted to over $3,000.00.

Hon. MIKE GRAVEL.

SCHEDULES A&B—ITEMIZED DEDUCTIONS AND DIVIDEND AND INTEREST INCOME, 1970

Maurice R. & Rita Gravel.

SCHEDULE A—ITEMIZED DEDUCTIONS

Medical and dental expenses:
Dr. Amergholi, $15.00.
Dr. Gould, $35.00.
Dr. Ziemianski, $38.00.
Dr. Bartlett, $6.00.
Dr. Ehudin, $62.00.
Dr. Bottiglione, $8.00.
Dr. Furst, $25.50.
6. Total, $189.50.
7. Enter 3% of line 18, Form 1040, $986.73.
Taxes:
State and local gasoline, $44.00.
General sales, 230.58.
State and local income: Alaska, $429.44; Maryland, $620.37; Total $1,049.81.
10. Total taxes, $1,324.39.
Interest expense:
National Bank of Alaska, $400.00.
Security Bank and Trust, $252.90.
Prestwick Corp., $2,521.71.
Virginia National Bank, $421.30.
Security Bank and Trust Co., $88.77.
Security Bank N.A., $160.00.
15. Total interest expense, $3,844.68.
18. Total taxes, $1,324.39.
20. Total interest expense, $3,844.68.
22. Total itemized deductions, $5,169.07.

PART II.—INCOME OTHER THAN WAGES, DIVIDENDS, AND INTEREST

35. Business income (or loss), ($3,197.04).
36. Sale or exchange of property, ($1,000.00).
37. Pensions and annuities, rents and royalties, partnerships, estates or trusts, etc., ($2,412.00).
40. Total, ($6,609.04).

PART III.—ADJUSTMENTS TO INCOME

43. Employee business expense, $3,000.00.
45. Total adjustments, $3,000.00.

PART IV.—TAX COMPUTATION

46. Adjusted gross income, $32,890.96.
47. (a) If you itemize deductions, enter total from Schedule A, line 22, $5,169.07.
48. Subtract line 47 from line 46, $27,721.89.
49. Multiply total number of exemptions claimed on line 11, by $625, $2,500.00.
50. Taxable income, $25,221.89.
51. Tax, $6,099.88.

U.S. SMALL BUSINESS CORPORATION INCOME TAX RETURN, 1969

Employer Identification No., [redacted]
Mike Gravel Real Estate Development Inc., Box 283, Anchorage, Alaska 99501.
E. Enter total assets from line 14, column D. Schedule L, $32,794.08.

GROSS INCOME

1. Gross receipts or gross sales, $3,750.00.
3. Gross profit, $3,750.00.
11. Total income, $3,750.00.

DEDUCTIONS

17. Taxes, $67.50.
18. Interest, $65.77.
21. Depreciation, $22.89.
26. Other deductions, $6,005.84.
27. Total deductions on lines 12 through 26, $6,162.00.
28. Taxable income, line 11 less line 27, ($2,412.00).

SCHEDULE G—DEPRECIATION (SEE INSTRUCTION 21)

Declining balance, $22.89; Total, $22.89.

1. Group and guideline class or description or property: Machinery and other equipment; 2. Date acquired, 3–67; 3. Cost or other basis, $324.45; 4. Depreciation allowed or allowable in prior years, $95.52; 5. Method of computing depreciation, DB; 6. Life or rate, 10; 7. Depreciation for this year, $22.89.
Total: 3. Cost or other basis, $324.45; 7. Depreciation for this year $22.89.
Balance: 7. Depreciation for this year, $22.89.

SCHEDULE H—SUMMARY OF DEPRECIATION

SCHEDULE K—SHAREHOLDERS' SHARES OF INCOME

SCHEDULE OF DISTRIBUTION AND INCOME

1. Name of each shareholder: A. Maurice R. Gravel; Social security number, [redacted] Number of shares, 4,000; Period held—From, 9–19–66 to present.
1. Name of each shareholder: B. Rita J. Gravel; Social security number, [redacted] Number of shares, 6,000; Period held—From, 9–19–66 to present.
Shareholder's Share of: 6. Undistributed taxable income (loss); Shareholder A, ($964.80); Shareholder B, ($1,447.20); Total, ($2,412.00).
F. Date incorporated, 9–19–66.
G. Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of domestic corporation? No.
H. Did the corporation during the taxable year have any contracts or subcontracts subject to the Renegotiation Act of 1951? No.
I. Amount of taxable income (or loss) for: 1967, $9,683.69; 1968 $13,342.27; 1969 $5,183.52).
J. Refer to instructions for business activity codes and state the: Principal business activity, Real Estate.
Developing.
K. Were you a member of a controlled group subject to the provisions of sections 1561 or 1562? No.
L. Did you claim a deduction for expenses connected with any:
(1) Entertainment facility (boat, resort, ranch, etc.)? No.
(2) Living accommodations (except employees on business)? No.
(3) Employees' families at conventions or meetings? No.
(4) Employee or family vacations not reported on Form W–2? No.
M. Did you file all required Forms 1099, 1096 and 1087? No.
N. Did the corporation, at any time during the taxable year have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? No.

SCHEDULE L—BALANCE SHEETS

ASSETS

1. Cash, beginning of taxable year (B) Total, $401.03; end of taxable year (D) Total, $231.73.
2. Trade notes and accounts receivable beginning of taxable year (A) Amount, $6,-$460.43; end of taxable year (C) Amount, $3,517.23.
(a) Less allowance for bad debts, beginning of taxable year (B) Total, $6,460.43; end of taxable year, (D) Total, $3,517.23.
6. Loans to shareholders, beginning of taxable year (B) Total, $24,939.08; end of taxable year (D) Total, $28,839.08.
9. Buildings and other fixed depreciable assets, beginning of taxable year, (A) Amount, $324.45; end of taxable year (C) Amount, $324.45.
(a) Less accumulated depreciation, beginning of taxable year (A) Amount, $70.08; (B) Total, $254.37; end of taxable year (C) Amount $118.41; (D) Total, $206.04.
14. Total assets, beginning of taxable year (B) Total, $32,054.91; end of taxable year (D) Total, $32,794.08.

LIABILITIES AND SHAREHOLDER'S EQUITY

15. Accounts payable, beginning of taxable year (B) Total, $21,309.95; end of taxable year, (D) Total, 27,320.45.
16. Mtgs., notes, bonds payable in less than 1 year, beginning of taxable year (B) Total, $5,956.18; end of taxable year (D) Total, $3,096.85.
21. Capital stock, beginning of taxable year, (B) Total, $4,788.78; end of taxable year, (D) Total, $2,376.78.
27. Total liabilities and shareholders' equity, beginning of taxable year (B) Total, $32,054.91; end of taxable year, (D) Total, $32,794.08.

SCHEDULE M–1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1. Net income per books, ($2,412.00).
6. Total of lines 1 through 5, ($2,412.00).
10. Income (line 28, page 1)—line 6 less line 9, ($2,412.00).

FORM 11205

Mike Gravel Real Estate Development, Inc. 92–0033655, year ended September 30, 1970.
Page 1, line 17: Corporate license, $6,750.
Page 1, line 26:
Insurance, $43.00.
Bank charges, $37.40.
Miscellaneous expense, $25.44.
Legal and accounting, $3,700.00.
Consulting fees, $2,200.00.
Total, $6,005.84.

FORM 502: MARYLAND TAX RETURN, 1970

Maurice R. and Rita Gravel, 714 Braeburn Drive, Tantallon, Prince Georges, Maryland 20022.
Your occupation: U.S. Senator; Spouse's occupation: homemaker.
A. Your filing status: Married filing joint return.
B. Change of resident status: Did you establish or abandon legal residence in Maryland in 1970? No.
Exemptions: Yourself; spouse; first names of dependent children: Martin, Lynn.
Total exemptions, 4.

INCOME

1. Total income, $32,890.96.
3. Total, $32,890.96.
5. Total Maryland income, $32,890.96.

TAX COMPUTATION

6. Exemptions, 4.
8. If you itemize deductions, enter total deductions, $4,119.26.
9. Net income, $28,771.70.
10. Number of exemptions × $800, $3,-200.00.
11. Taxable net income, $25,571.70.

TAX

12. Maryland tax, $1,218.59.
13. Local income tax, $609.30.
14. Total Maryland and local income tax, $1,827.89.

PAYMENTS

17. Credit for income tax paid another State, $1,201.61.
19. Total payments and credits, $1,201.61.

BALANCE

20. Balance due, $626.28.
Federal income tax withheld, $9,739.20.
Wages paid subject to withholding in 1970, $42,500.00.

SCHEDULE A—INCOME AND ADJUSTMENTS FROM FEDERAL RETURN

1. Wages, Salaries, Tips, etc., $42,500.00.
4. Business Income, ($3,197.04).
5. Sale or Exchange of Property, ($1,000.00).
6. Pensions and Annuities, Rents and Royalties, Partnerships, Estates or Trusts, etc., ($2,412.00).
9. Total, $35,890.96.
10. Adjustments, $3,000.00.
11. Total Income, $32,890.96.

SCHEDULE B—ITEMIZED DEDUCTIONS FROM FEDERAL RETURN WITH ADJUSTMENTS

2. Taxes, $1,324.39.
4. Interest, 3,844.68.
6. Total, $5,169.07.
7. Subtract State and Local Income Taxes, $1,049.81.
8. Total, $4,119.26.
10. Total Maryland deductions, $4,119.26.

SCHEDULE E—COMPUTATION OF TAX

Taxable Net Income, $25,571.70.
Rate of Tax: 2% on first $1,000 or fraction thereof, plus amount of income taxable at each rate, $1,000.00; amount of tax, $20.00.
Rate of Tax: 3% on second $1,000 or fraction thereof, plus amount of income taxable at each rate, $1,000.00; amount of tax, $30.00.
Rate of Tax: 4% on third $1,000 or fraction thereof, plus amount of income taxable at each rate, $1,000.00; amount of tax, $40.00.
Rate of Tax: 5% on all in excess of above $3,000 plus amount of income taxable at each rate, $22,571.70; amount of tax, $1,128.59.
Totals (Forward tax totals to Line 12 Page 1), amount of income taxable at each rate, $25,571.70; amount of tax, $1,218.59.

MARYLAND FORM 502 CR: TAX CREDITS FOR INCOME TAXES PAID TO OTHER STATES AND MARYLAND PERSONAL PROPERTY TAXES, 1970

Name: Maurice R. & Rita Gravel, 714 Braeburn Drive, Tantallon, Maryland 20022.

INCOME TAX PAID TO OTHER STATES

1. Taxable Net Income, $25,571.70.
2. Income Taxable In Other State, $25,-651.33.
3. Revised Taxable Net Income, $(79.63).

Credit Computation

5. Maryland Tax, $1,218.59.
6. Tentative Tax Credit, $1,218.59.
7. Tax Paid to State of Alaska, $1,201.61
8. Credit for Income Tax Paid to Other State, $1,201.61.

ALASKA INDIVIDUAL INCOME TAX RETURN DR 600R, 1970

Maurice R. & Rita Gravel, 714 Braeburn Drive, Tantallon, Maryland 20022.
7. Your Occupation: U.S. Senator.
8. Wife's Occupation: Homemaker.
9. Enter adjusted gross income from line 18, Form 1040, $32,890.96.
11. Adjusted Gross Income for Alaska tax computation, $32,890.96.
13. If you itemize deductions, enter total from Schedule A, line 22, Form 1040, $5,169.07.
14. Subtract line 13 from line 11, $27,721.89.
15. Alaska adjustments to itemized deduc-

tions; (2) Delete Alaska income tax deduction, Schedule A, Form 1040, $429.44.

16. Net Alaska taxable income, $28,151. 33.

17. Enter total personal exemption credits from line 49 of Page 2, Part IV, Form 1040, $2,500.00.

18. Subtract line 17 from line 16. Enter balance on this line, $25,651.33.

19. Tax, $7,510.07.

21. Income tax, $7,510.07.

23. Total tax, $7,510.07.

24. Enter Your Alaska Income Tax, $1,201.61.

25. Enter Your School Tax, $10.00.

26. Age 19 before 1/1/70: Yes; Wife, Yes; Active Military, No; Total Tax, $1,211.61.

Federal income tax withheld, $9,739.20.

Wages paid subject to withholding in 1970, $42,500.00.

FORM 1120S, ALASKA, U.S. SMALL BUSINESS CORPORATION INCOME TAX RETURN, 1970

Mike Gravel Real Estate Development, Inc., Box 2283, Anchorage, Alaska 99501.

E. Enter total assets from line 14, column D, Schedule L, $32,794.08.

GROSS INCOME

1. Gross receipts or gross sales, $3,750.00.

3. Gross profit, $3,750.00.

11. Total income, $3,750.00.

DEDUCTIONS

17. Taxes, $67.50.

18. Interest, $65.77.

21. Depreciation, $22.89.

26. Other deductions, $6,005.84.

27. Total deductions on lines 12 through 26, $6,162.00.

28. Taxable income, ($2,412.00).

FORM 1120S, U.S. SMALL BUSINESS CORPORATION INCOME TAX RETURN, 1970

Mike Gravel Real Estate Development, Inc., Box 2283, Anchorage, Alaska 99501.

E. Enter total assets from line 14, column D, Schedule L.: $30,119.90.

GROSS INCOME

6. Other interest, $143.42.

11. Total income, $143.42.

DEDUCTIONS

18. Interest, $160.73.

21. Depreciation (Schedule G), $20.60.

26. Other deductions (attach schedule): Bank charges, $10.80; miscellaneous, $61.70, $72.50.

27. Total deductions on lines 12 through 26, $253.83.

28. Taxable income, $110.41.

SCHEDULE G—DEPRECIATION

Machinery and other equipment—Date acquired: 3/67; Cost or other basis: $324.45; Depreciation allowed or allowable in prior years: $118.41; Method of computing depreciation: DB; Life or rate: 10; Depreciation for this year: $20.60.

SCHEDULE J—TAX COMPUTATION

2. (b) Subtract $6,500 and enter difference, $6,500.00.

4. Subtract $25,000, $25,000.00.

SCHEDULE K—SHAREHOLDERS' SHARES OF INCOME

1. Taxable income, $110.41.

3. Corporation's undistributed taxable income, $110.41.

Schedule of distribution of income

A. Maurice R. Gravel—number of shares: 4,000; from 9/19/66 to present.

B. Rita J. Gravel—number of shares: 6.000 from 9/19/66 to present.

6. Undistributed taxable income (loss)—Shareholder A: $44.16; Shareholder B: $66.25; Total, $110.14.

9. Ordinary income—Shareholder A: $44.16; Shareholder B: $66.25; Total, $110.41.

F. Date incorporated, 9/19/66.

G. Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of a domestic corporation? No.

H. Did the corporation during the taxable year have any contracts or subcontracts subject to the Renegotiation Act of 1951? No.

I. Amount of taxable income (or loss) for: 1967, $13,342.27; 1968, $5,183.52; 1969, $2,412.00.

J. Refer to instructions for business activity codes and state the:

Principal business activity, real estate.

Principal product or service, consulting and developing.

L. Did you claim a deduction for expenses connected with any:

(1) Entertainment facility (boat, resort, ranch, etc.)? No.

(2) Living accommodations (except employees on business)? No.

(3) Employees' families at conventions or meetings? No.

(4) Employee or family vacations not reported on Form W–2? No.

M. Did you file all required Forms 1099, 1096 and 1087? No.

N. Did the corporation, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? No.

SCHEDULE L—BALANCE SHEETS

ASSETS

1. Cash, beginning of taxable year (B) Total $231.73; End of taxable year, (D) Total, $159.23.

2. Trade notes and accounts receivable, beginning of taxable year (A) Amount, of taxable year, (B) total, $3,517.23; end of taxable year (D) Total, $936.15.

(a) Less allowance for bad debts, beginning of taxable year. (B) Total, $3,517.23; end of taxable year (D) Total, $936.15.

6. Loans to shareholders, beginning of taxable year (B) Total, $28,839.08; end of taxable year (D) Total, $28,839.08.

9. Buildings and other fixed depreciable assets, beginning of taxable year (A) Amount, $324.45; end of taxable year (C) Amount, $324.45.

(a) Less accumulated depreciation, Begining of taxable year (A) Amount, $118.41, (B) Total, $206.04; end of taxable year (C) Amount, $139.01, (D) Total, $185.44.

14. Total assets, beginning of taxable year (B) Total, $32,794.08; end of taxable year (D) Total, $30,119.90.

Liabilities and Shareholders' Equity

15. Accounts payable, beginning of taxable year (B) Total, $27,320.45; end of taxable year (D) Total, $26,819.85.

16. Mtgs., notes, bonds payable in less than 1 year, beginning of taxable year (B) Total, $3,096.85; end of taxable year (D) Total, $1,033.68.

21. Capital stock, beginning of taxable year (B) Total, $2,376.78; end of taxable year (D) Total, $2,266.37.

27. Total liabilities and shareholders' equity, beginning of taxable year (B) Total, $32,794.08; end of taxable year (D) Total, $30,119.90.

SCHEDULE M–1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1. Net income per book, ($110.41).

6. Total of lines 1 through 5 ($110.41).

10. Income ($110.41).

Names: Maurice R. & Rita Gravel, 714 Braeburn Drive, Tantallon, Maryland 20022.

Filing Status: Married filing jointly (even if only one had income).

11. Total exemptions claimed, 4.

12. Wages, salaries, tips, etc. (Attach Forms W–2 to back. If unavailable, attach explanation, $42,681.50.

14. Interest, $87.60.

15. Income other than wages, dividends, and interest (from line 40), $14,200.90.

16. Total (add lines 12, 13c, 14 and 15), $56,970,00.

17. Adjustments to income (such as "sick pay," moving expense, etc. from line 45), $3,000.00.

18. Adjusted gross income (subtract line 17 from line 16), $53,970.00.

19. Tax (Check if from Form 4726), $13,-005.00.

21. Income tax (subtract line 20 from line 19), $13,005.00.

22. Other taxes (from line 60), $571.38.

23. Total (add lines 21 and 22), $13,576.38.

24. Total Federal income tax withheld (attach Forms W–2 or W–2P to back), $8,486.95.

27. Total (add lines 24, 25, and 26), $8,-486.95.

28. If line 23 is larger than line 27, enter BALANCE DUE, $5,089.43.

Clarkson R. Sherwood, 4–1–72, 11501 Georgia Avenue, Wheaton, Maryland 20902.

34. Business income or (loss) (attach Schedule C), $15,311.31.

35. Net gain or (loss) from sale or exchange of capital assets (attach Schedule D), $1,000.00.

37. Pensions and annuities, rents and royalties, partnerships, estates or trusts, etc. (attach Schedule E), $110.41.

40. Total (add lines 34, 35, 36, 37, 38, and 39). Enter here and on line 15, $14,200.90.

43. Employee business expense (attach Form 2106 or other statement), $3,000.00.

45. Total adjustments (add lines 41, 42, 43, and 44). Enter here and on line 17, $3,000.00.

46. Adjusted gross income (from line 18), $53,970.00.

47. (a) If you itemize deductions, enter total from Schedule A, line 32 and attach Schedule A, $7681.14.

48. Subtract line 47 from line 46, $46,288.86.

49. Multiply total number of exemptions claimed on line 11, by $675, $2,700.00.

50. Taxable income. Subtract line 49 from line 48, $43,588.86.

55. Self-employment tax (attach Schedule SE), $571.38.

60. Total (add lines 55, 56, 57, 58, and 59). Enter here and on line 22, $571.38.

Taxes.—Real estate, $1,133.83.

State and local gasoline (see gas tax tables) $53.00.

General sales (see sales tax tables), $325.74.

State and local income, Md. $626.28 plus $373.49, Alaska, $1,211.61, $2,211.38.

10. Total taxes (Enter here and on line 18, below.) $3723.95.

Contributions.—Various organized charities, $30.00.

11. Total cash contributions, $30.00.

14. Total contributions (Add lines 11, 12, and 13. Enter here and on line 19, below. See instructions on page 8 for limitation), $30.00.

Installment purchases, Nat'l Bk of Alaska, $25.90.

Other (Itemize) S. Harhut, $43.45.

Am. Sec. Bk. & Trust Co., $245.12.

Prestwick Corp., $2,423.80.

Va. Nat'l Bank, $326.25.

Security Bank, N.A., $581.33.

Senate Empl. Fed. Cr. Union, $281.34.

15. Total interest expense (Enter here and on line 20, below.) $3,927.19.

SUMMARY OF ITEMIZED DEDUCTIONS

18. Total taxes (from line 10) $3,723.95.

19. Total contributions (from line 14) $30.00.

20. Total interest expense (from line 15), $3,927.19.

22. Total Itemized Deductions. (Add lines 17 through 21. Enter here and on Form 1040, line 47), $7,681.14.

Name: Maurice R. Gravel.

Employer's name: U.S. Government.

(d) Other travel expenses (specify) Living Expenses Under Code Sec. 162(a) (3) IRC—See Attached Certification, $3,000.00.

Total travel expenses, $3,000.00.

5. Total of lines 1, 2, 3, and 4, $3,000.00.

7. Excess expenses (line 5 less line 6). Enter

here and include in line 43, Form 1040, $3,000.00.

CLARK SHERWOOD & Co.,
Wheaton, Md.

I hereby certify that I was in a travel status in the Washington area, away from home, in the performance of my official duties as a Member of Congress, for 208 days during the taxable year, and my deductible living expenses while in such travel status amounted to over $3,000.

HON. MIKE GRAVEL.

Names: Maurice R. and Rita Gravel.

1. Gross receipts or gross sales, $22,290.

10. Gross profit (subtract line 9 from line 1, $22,290.

Other business deductions:

11. Depreciation (explain in Schedule C–2), $102.85.

17. Legal and professional fees, $160.50.

24. Other business expenses (explain in Schedule C–1), $6,715.34.

25. Total of lines 11 through 24, $6,978.69.

26. Net profit (or loss) (subtract line 25 from line 10). Enter here and on line 34, Form 1040. Also enter on Schedule SE, Part I, line 1, $15,311.31.

24. Auto and local travel, $55.53; tele, $131.36; travel, $6,528.16; public relations, $671.40; bank charges, $23.02; dues and subscriptions, $868.35; office exp reimb., $1,562.48.

a. Group and guideline class or description of property, furniture and fixtures.

29. Other depreciation: Buildings.

b. Date acquired, 1969.

c. Cost or other basis, $411.42.

d. Depreciation allowed or allowable in prior years, $102.85.

e. Method of computing depreciation, SL.

f. Life or rate, 4.

g. Depreciation for this year, $102.85.

30. Totals, $411.42 and $102.85.

32. Balance, $102.85.

Name: Maurice R. Gravel.

1. Net profit (or loss) shown in Schedule C (Form 1040), line 26. (Enter combined amount if more than one business), $15,311.31.

3. Net earnings (or loss) from business self-employment (Subtract line 2 from line 1, and enter here and on line 8(a), Part III below.), $15,311.31.

8. Net earnings (or loss) from self-employment—

(a) From business (other than farming) from line 3, Part I, above, $15,312.31.

9. Total net earnings (or loss) from self-employment reported on line 8, $15,311.31.

10. The largest amount of combined wages and self-employment earnings subject to social security tax is, $7,800.00.

11. (a) Total "FICA" wages as indicated on Form W–2, $181.50.

(c) Total of lines 11(a) and 11(b), $181.50.

12. Balance (subtract line 11(c) from line 10), $7,618.50.

13. Self-employment income—line 9 or 12, whichever is smaller, $7,618.50.

14. If line 13 is $7,800, enter $585.00; if less, multiply the amount on line 13 by .075, $571.38.

16. Self-employment tax (subtract line 15 from line 14). Enter here and on Form 1040, line 55, $571.38.

Names: Maurice R. and Rita Gravel.

a. Kind of property and description (Example, 100 shares of "Z" Co.): 100 sh Banister Control Corp; c. Mo., day, yr. (Put date sold above dotted line and date acquired below dotted line): December 12, 1971; d. Gross sales price: $1,377.02; e. Cost or other basis, as adjusted, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale: $1,393.45; f. Gain or (loss) (d less a): $16.43.

100 sh Bantam Books Inc., December 22, 1971; $1,450.93; $1,275.00; $175.93.

3. Enter net gain or (loss), combine lines 1 and 2, $159.50.

4(a). Short-term capital loss component carryover from years beginning before 1970 (see instruction H), $10,541.40.

4(b). Short-term capital loss carryover attributable to years beginning after 1969 (see instruction H), $2,880.00.

5. Net short-term gain or (loss), combine lines 3, 4(a) and 4(b), $13,261.90.

1,000 sh. Montg. Land Inc. & Dev. Corp., September 15, 1970 and October 29, 1971; $2,500.00; and $1,000.00; $1,500.00.

11. Net gain or (loss), combine lines 6 through 10, $1,500,00.

13. Net long term gain or (loss), combine lines 11, 12(a) and 12(b), $1,500.00.

14. Combine the amounts shown on lines 5 and 13, and enter the net gain (loss) here, $11,761.90.

16. If line 14 shows a loss—See Instruction I.

(a) Enter one of the following amounts: (iii). If amounts on line 5 and line 13 are net losses, enter amount on line 5 added to 50% of amount on line 13, ($11,761.90.)

(b) Enter here and on line 35, Form 1040, the smaller of:

(iii). Taxable income, as adjusted (see instruction J), ($1,000.00.)

PART V—COMPLETE PART V IF LOSSES ARE SHOWN ON LINES 4(A), 5, AND 14 (SEE INSTRUCTION L)

34. Combine lines 3 and 11 and if gain, enter gain; if zero or a loss, enter a zero, $1,659.50.

35. Enter gain, if any, from line 3, $159.50.

36. Enter smaller of amount on line 34 or line 35, $159.50.

37. Enter excess of gain on line 34 over amount on line 36, $1,500.00.

38. Enter loss from line 12(a); if line 12 (a) is blank, enter a zero, none.

39. Reduce the gain, if any, on line 37 to the extent of the loss, if any, on line 38, $1,500.00.

40. Enter loss from line 4(a), $10,541.40.

41. Add the gain(s) on line(s) 36 and 39, $1,659.50.

42. Reduce the loss on line 40 to the extent of the gain, if any, on line 41, $8,881.90.

Names: Maurice R. and Rita Gravel.

(H) Mike Gravel Real Estate Development, Inc. [redacted] $44.16.

(U) Mike Gravel Real Estate Development, Inc., [redacted], $66.25.

1. Income or (loss), total of column (d), $110.41.

Total of Parts I, II, and III (Enter here and on Form 1040, line 37), $110.41.

Names: Maurice R. and Rita Gravel.

1. Taxable income (see instruction 1):

(a) Computation year 1971: $43,589.

(b) 1st preceding base period year 1970: $25,222.

(c) 2d preceding base period year 1969: $15,731.

(d) 3d preceding base period year 1968: $23,068.

(e) 4th preceding base period year 1967: $24,405.

6. Adjusted taxable income from line 5, column (a), $43,589.

7. 30% of the sum of line 5, columns (b), (c), (d), and (e), $26,528.

8. Averageable income (line 6 less line 7), $17,061.

9. Amount from line 7, $26,528.

10. 20% of line 8, $3,412.

11. Total (add lines 9 and 10), $29,940.

13. Total (add lines 11 and 12), $29,940.

14. Tax on amount on line 13, $7,857.

15. Tax on amount on line 11, $7,857.

16. Tax on amount on line 9, $6,570.

17. Difference (line 15 less line 16), $1,287.

18. Multiply the amount on line 17 by 4, $5,148.

19. Total (add lines 14 and 18), $13,005.

22. Tax (add lines 19, 20 and 21). Enter here and on Form 1040, line 19. Also check Schedule G box on Form 1040, line 19. $13,005.

Names: Maurice R. and Rita Gravel.

1. 1971 tax (from line 23, Form 1040, $13,576.38.

5. Balance (line 1 less line 4), $13,576.38.

6. Enter 80% of the amount shown on line 5, $10,861.10.

7. Divide amount on line 6 by the number of installments required for the year (See Instruction B.) Enter the result in appropriate columns, Apr. 15, 1971: $2,715.28; June 15, 1971: $2,715.27; Sept. 15, 1971: $2,715.28; Jan. 15, 1972: $2,715.27.

8. Amounts paid on estimate for each period and tax withheld (see Instruction G.), Apr. 15, 1971: $2,121.74; June 15, 1971: $2,121.74; Sept. 15, 1971: $2,121.74; Jan. 15, 1972: $2,121.78.

10. Total (Add line 8 and line 9.) Apr. 15, 1971: $2,121.74; June 15, 1971: $3,126.19; Sept. 15, 1971: $2,121.74; Jan. 15, 1972: $2,121.73.

11. Underpayment (line 7 less line 10), or Overpayment (line 10 less 7) Apr. 15, 1971: $593.54; June 15, 1971: $593.53; Sept. 15, 1971: $593.54; Jan. 15, 1972: $593.74.

12. Total amount paid and withheld from January 1 through the installment date indicated, Apr. 15, 1971: $2,121.74; June 15, 1971; $4,243.48; Sept. 15, 1971: $6,365.22; Jan. 15, 1972: $8,486.95.

13. Exception No. 1 1970 tax, $6,252.38: Apr. 15, 1971: $1,563.09; June 15, 1971: $3,126.19; Sept. 15, 1971: $4,689.29; Jan. 15, 1972: $6,252.38.

Names: Maurice R. and Rita Gravel.

1. Total income (adjusted gross income): Form 1040—line 15c for 1969, line 18 for 1970 and 1971, and line 17 for 1972; Form 1040A—line 14 for 1972, $52,253.87.

2. Deductions. See instructions and explain any change on page 2, $7,681.14.

3. Total tax, $12,829.79.

4. Federal income tax withheld and excess F.I.C.A. tax, $8,486.95.

8. Amount paid with original return, plus additional payments made after it was filed, $5,089.43.

9. Total of lines 4 through 8, column C, $13,576.38.

11. Subtract line 10 from line 9, and enter result, $13,576.38.

13. If line 3, column C is more than line 11, enter Refund to be received, $746.59.

Decrease in Income: Subchapter S—EI No. [redacted] Loss (w) ($1,716.13) (Schedule K. of Form 1120S attached).

Decrease in Tax Liability: Investment Credit (Form 3468 Attached). Revised Schedule "G" attached.

SCHEDULE K—SHAREHOLDERS' SHARES OF INCOME

1. Taxable income, ($13,200.95.)

SCHEDULE OF DISTRIBUTION AND INCOME

1. Name, and number of shares

A. Larry Martin, 7,000.

B. Niki Martin, 1,500.

C. Bill Martin, 3,555.

D. Rita Gravel, 1,000.

4. Compensation, shareholder A, $3,395; shareholder C, $1,889.68; total, $5,284.83.

6. Undistributed taxable income (loss): shareholder A ($3,333.25); shareholder B ($2,409.17); shareholder C ($5,747.41); shareholder D ($1,711.13); total ($13,206.95).

9. Ordinary income; shareholder A ($3,333.24); shareholder B ($2,409.17); shareholder C ($5,742.41); shareholder D ($1,716.13); total, ($13,200.95).

Name: Maurice R. and Rita Gravel.

2. Total qualified investment—Add lines 1(a) through 1(f) $1,094.16.

3. Tentative investment credit—7% (4% for public utility property) of line 2, $76.59.

4. Carryback and carryover of unused credit(s). (See instruction 4 for special limitation—attach computation.) $76.59.

5. Total—Add lines 3 and 4, $76.59.

LIMITATION

6. (a) Individuals; (b) Estates and trusts; (c) Corporations, $12,335.00

9. Line 6 less line 8, $12,335.00.
10. (a) Enter amount on line 9 or $25,000, whichever is lesser, $12,335.00.
11. Total—Add lines 10 (a) and (b), $12,335.00.
12. Investment credit—Enter amount from line 5 or line 11, whichever is lesser, $76.59.
Names: Maurice R. and Rita Gravel.
1. Taxable income, and 5. Adjusted taxable income or base period income. (Line 1 plus line 2, less lines 3 and 4). If less than zero, enter zero.
(a) Computation year 1971, $41,873.
(b) 1st preceding base period year 1970, $25,222.
(c) 2d preceding base period year 1969, $15,731.
(d) 3d preceding base period year 1968, $23,068.
(e) 4th preceding base period year 1967 $24,405.
6. Adjusted taxable income from line 5, column (a), $41,873.
7. 30% of the sum of line 5, columns (b), (c), (d), and (e), $26,528.
8. Averagable income (line 6 less line 7), $15,345.
9. Amount from line 7, $26,528.
10. 20% of line 8, $3,069.
11. Total (add lines 9 and 10), $29,597.
13. Total (add lines 11 and 12), $29,597.
14. Tax on amount on line 13, $7,723.
15. Tax on amount on line", $7,723.
16. Tax on amount on line 9, $6,570.
17. Difference (line 15 less line 16), $1,153.
18. Multiply the amount on line 17 by 4, $4,612.
19. Total (add lines 14 and 18), $12,335.
22. Tax (add lines 19, 20 and 21). Enter here and on Form 1040, line 19. Also check Schedule G box on Form 1040, line 29, $12,335.

DR 600: ALASKA INDIVIDUAL INCOME TAX RETURN, 1971

First name and initial: Maurice R. & Rita Gravel, 714 Braeburn Drive, Tantallon, Maryland 20022.
Occupation: Yours, U.S. Senator; spouse's, homemaker.
Was an Alaska return filed for 1970? Yes.
Filing Status: 2. Married filing jointly.
Exemptions:
7. Yourself, 8. Spouse.
9. First names of your dependent children who lived with you: Martin, Lynn.
Enter number—2.
11. Total exemptions claimed, 4.
12. Wages, salaries, C.O.L.A., tips, etc., $42,500.00.
14. Interest, $87.60.
15. Income other than wages, dividends, and interest, ($1,110.41.)
16. Total, $41,477.19.
17. Adjustments to income, $3,000.00.
18. Adjusted gross income, $38,477.19.
19. Tax, $11,538.59.
21. Income tax, $11,538.59.
23. Total, $11,538.59.
24. Enter Alaska Income Tax, $1,846.17.
25. Enter your School Tax, $10.00.
26. Age 29, before 1/1/71: yes; wife, yes.
Total tax, $1,856.17.
31. If payments (line 30) are less than tax (line 26) enter balance due, $1,856.17.

PART II—INCOME OTHER THAN WAGES, DIVIDENDS, AND INTEREST

35. Net loss from sale or exchange of capital assets, (1,000.00).
37. Pensions and annuities, rents and royalties, partnerships, estates or trusts, ($110.41).
40. Total, ($1,110.41).

PART III.—ADJUSTMENTS TO INCOME

43. Employee business expense, $3,000.00.
45. Total adjustments, $3,000.00.

PART IV. B RESIDENT—TAX COMPUTATION

46b. Adjusted gross income, $38,477.19.
47b. Itemize deductions, $1,500.00.
48b. Subtract line 47b from line 46b, $36,977.19.
49b. Exemptions, $2,700.00.
50b. Taxable income, $34,277.19.

PART III—INCOME OR LOSSES FROM PARTNERSHIPS, ESTATES OR TRUSTS, AND SMALL BUSINESS CORPORATIONS

Mike Gravel Real Estate Development, Inc., Box 2283, Anchorage, Alaska, Small Business Corporation loss ($110.41).

PART V.—COMPLETE PART V IF LOSSES ARE SHOWN

34. Combine lines 3 and 11 and if gain, enter gain, $1,659.50.
35. Enter gain, if any, from line 3, $159.50.
36. Enter smaller of amount on line 34 or line 35, $159.50.
37. Enter excess of gain on line 34 over amount on line 36, $1,500.00.
39. Reduce the gain, if any, on line 37, $1,500.00.
40. Enter loss from line 4(a) ($10,541.40).
41. Add the gain(s) on line(s) 36 and 39, $1,659.50.
42. Reduce the loss on line 40 to the extent of the gain, if any, on line 41, ($8,881.90.)

CAPITAL GAINS AND LOSSES, 1971

PART I. SHORT-TERM CAPITAL GAINS AND LOSSES

a. Kind of property and description (Example, 100 shares of "Z" Co.), 100 shares Bannister Control Corp.; c. Mo., day, yr. sold and date acquired, 12/22/71, 12/22/71; d. Gross sales price, $1,377.02; e. Cost or other basis, as adjusted, and expense of sale, $1,393.45; f. Gain or (loss), ($16.43).
a. Kind of property and description (Example, 100 shares of "Z" Co.), 100 shares Bantam Books, Inc.; c. Mo., day, yr. sold and date acquired, 12/22/71, 12/22/71; d. Gross sales price, $1,450.93; e. Cost or other basis, as adjusted, and expense of sale, $1,275.00; f. Gain or (loss), $175.93.
3. Enter net gain, $159.50.
4(a) Short-term capital loss component carryover from years beginning before 1970, ($10,541.40).
4(b) Short-term capital loss carryover attributable to years beginning after 1969, ($2,880.00).
5. Net short-term (loss), ($13,261.90).

PART II. LONG-TERM CAPITAL GAINS AND LOSSES

a. Kind of property and description (Example, 100 shares of "Z" Co.), 1,000 shares Montg. Land Investment & Development Corp.; c. Mo., day, yr. sold and date acquired, 9/15/70, 10/29/71; d. Gross sales price, $2,500.00; e. Cost or other basis, as adjusted, and expense of sale, $1,000.00; f. Gain or (loss), $1,500.00.
11. Net gain, $1,500.00.
13. Net long-term gain, $1,500.00.

PART III. SUMMARY OF PARTS I AND II

14. Combine the amounts shown on lines 5 and 13, ($11,761.90).
16. If line 14 shows a loss, (a) Enter one of the following amounts, ($11,761.90).
(b) Enter here and on line 35, (iii) taxable income, as adjusted, ($1,000.00).

MARYLAND TAX RETURN, 1971

Name and initial, Maurice R. Gravel.
Spouse's name and initial, Rita Gravel.
Present address, 714 Braeburn Drive, Tantallon, Pr. Georges, Md. 20022.
Spouse's occupation, homemaker.
Your present employer, U.S. Senate.
A. Your filing status, married filing joint return or spouse had no income.
First names of dependent children, Martin, Lynn.
Total exemptions, 4.
1. Total Income, $53,970.00.
5. Total Maryland Income, $53,970.00.
8. If you itemize deductions, $5,469.76.
9. Net Income, $48,500.24.
10. Number of Exemptions × $800, $3,200.00.
11. Taxable Net Income, $45,300.24.
12. Maryland Tax, $2,205.01.
13. Local Income Tax, $1,102.50.
14. Total Maryland and local income tax, $3,307.51.
17. Credit for income tax paid another State, $1,856.17.
19. Total payments and credit, $1,856.17.
20. Balance Due, $1,451.34.
Signature of preparer other than taxpayer, Clarkson R. Sherwood, 11505 Georgia Avenue, Wheaton, Maryland 20902, 4–1–72.

SCHEDULE A—INCOME AND ADJUSTMENTS FROM FEDERAL RETURN

1. Wages, Salaries, Tips, etc., $42,681.50.
3. Interest, $87.60.
4. Business Income, $15,311.31.
5. Sale or exchange of property, $1,000.00.
5. Sale or exchange of property, ($1,000.00).
6. Pensions and annuities, rents and royalties, partnerships, estates or trusts, etc., ($110.41).
9. Total, $56,970.00.
10. Adjustments, $3,000.00.
11. Total Income, $53,970.00.

SCHEDULE B—ITEMIZED DEDUCTIONS FROM FEDERAL RETURN WITH ADJUSTMENTS

2. Taxes, $3,723.95.
3. Contributions, $30.00.
4. Interest, $3,927.19.
6. Total, $7,681.14.
7. Subtract State and local income taxes, included on line 2, $2,211.38.
8. Total, $5,469.76.
10. Total Maryland deductions, $5,469.76.

TAX CREDITS FOR INCOME TAXES PAID TO OTHER STATES AND MARYLAND PERSONAL PROPERTY TAXES, 1971

1. Taxable Net Income, $45,300.24.
2. Income Taxable in other state, $34,277.19.
3. Revised taxable net income, $11,023.05.
4. Tax on amount on line 3, $736.72.

CREDIT COMPUTATION

5. Maryland Tax, $3,307.51.
6. Tentative Tax Credit, $2,570.79.
7. Tax Paid to State of Alaska, $1,856.17.
8. Credit for income tax paid to other state, $1,856.17.

U.S. INDIVIDUAL INCOME TAX RETURN, 1972

First name and initial: Maurice R. and Rita Gravel.
Present home address: U.S. Senate, Washington, D.C. 20510.
Occupation; Yours, U.S. Senator, wife's, homemaker.

FILING STATUS

2. Married filing joint return.

EXEMPTIONS

6. Yourself.
7. Wife (husband).
8. First names of your dependent children who lived with you: Martin, Lynn.
Enter number, 2.
10. Total exemptions claimed, 4.

INCOME

11. Wages, salaries, tips, and other employee compensation, $42,500.00.
13. Interest income (if $200 or less, enter total without listing in Schedule B), $99.86.
14. Income other than wages, dividends, and interest (from line 45), $3,692.60.
15. Total, $46,292.46.
16. Adjustments to income (such as "sick pay," moving expenses, etc. from line 50), $3,000.00.
17. Subtract line 16 from line 15 (adjusted gross income), $43,292.46.

TAX, PAYMENTS AND CREDITS

18. Tax, $7,512.88.
20. Income tax, $7,512.88.
21. Other taxes, $384.34.
22. Total, $7,897.22.
23. Total Federal income tax withheld, $10,789.20.
27. Total (add lines 23, 24, 25, and 26) $10,789.40.

BAL. DUE OR REFUND

29. If line 27 is larger than line 22, enter amount overpaid, $2,891.98.
30. Line 29 to be refunded to you, $2,891.98.

FOREIGN ACCOUNTS

Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution): No.

WAGE AND TAX STATEMENT, 1972

Employer's identification number, name, Hon. Mike Gravel, 20076.

Federal income tax withheld: $10,789.20.

Wages paid subject to withholding in 1972, $42,500.00.

33. Print or type the location of your principal place of residence at end of year (a) State, Alaska, (b) Borough, Greater Anchorage, (c) Locality. If you lived inside the boundaries of an incorporated city, town, etc., enter its name, Anchorage.

INCOME OTHER THAN WAGES, DIVIDENDS, AND INTEREST

35. Business income, $5,124. 51.

36. Net gain (or loss) from sale or exchange of capital assets, ($1,000.00).

38. Pensions and annuities, rents and royalties, partnerships, estate or trusts, etc. (attach Schedule E), ($431.91).

45. Total (add lines 35 through 44). Enter here and on line 14, $3,692.60.

ADJUSTMENTS TO INCOME

48. Employee business expense (attach Form 2106 or other statement), $3,000.00.

50. Total adjustments, $3,000.00.

TAX COMPUTATION

51. Adjusted gross income, $43,292.46.

52. (a) If you itemize deductions, enter total from Schedule A, line 40 and attach Schedule A (b) If you do not itemize deductions, enter 15% of line 51, but do NOT enter more than $2,000. ($1,000 if line 3 is checked), $11,233.79.

53. Subtract line 52 from line 51, $32,058.-67.

54. Multiply total number of exemptions claimed on line 10, by $750, $3,000.00.

55. Taxable income, $29,058.67.

OTHER TAXES

62. Self-employment tax, $384.34.

67. Total, $384.34.

EMPLOYEE BUSINESS EXPENSES, 1972

Your name: Maurice R. Gravel. [redacted]

Occupation in which expenses were incurred: U.S. Senator.

Employer's name: U.S. Senate.

Employer's address: U.S. Senate, Washington, D.C.

EMPLOYEE BUSINESS EXPENSES

(d). Other travel expenses: Living Expenses Under Code Sec. 162(a)(3) IRC—See Attached Certification, $3,000.00.

Total travel expenses, $3,000.00.

4. Employee expenses other than traveling, transportation, and outside salesman's expenses to the extent of the reimbursement, $3,000.00.

7. Excess expenses, $3,000.00.

ITEMIZED DEDUCTIONS AND DIVIDEND AND INTEREST INCOME, 1972

Names: Maurice R. and Rita Gravel.

Your [redacted] x..

SCHEDULE A—ITEMIZED DEDUCTIONS

TAXES

11. Real estate, $556.54.

12. State and local gasoline, $60.00.

13. General sales, $289.14.

14. State and local income (Md. $1,451.34), (Alaska $1,856.17), $3,307.51.

17. Total taxes, $4,213.19.

Contributions.—Cash—including checks, money orders, etc. Various organizations and charities, $30.00.

Political contribution, $100.00.

21. Total contributions, $130.00.

INTEREST EXPENSE

22. Home mortgage, $2,780.48.

24. Other (itemize) S. Harnut (AMSB), $45.81.

Senate Empl. Fed. Cr. Union, $299.89.

Int. Rev. Serv., $59.69.

Bank loans, $3,011.83.

Condominium mortgage, $692.90.

25. Total interest expense, $6,890.60.

28. $100 limitation, $100.00.

SUMMARY OF ITEMIZED DEDUCTIONS

34. Total taxes, $4,213.19.

35. Total contributions, $130.00.

36. Total interest expense, $6,890.60.

40. Total itemized deductions, $11,233.79.

Names: Maurice R. and Rita Gravel. [redacted]

A. Principal business activity U.S. Senator; product speaking engagements and public service.

B. Business name, Honorable Mike Gravel.

C. Employer Identification Number 021–22–7897.

D. Business address (number and street) U.S. Senate.

City, State and ZIP code Washington, D.C.

E. Indicate method of accounting: cash.

F. Were you required to file Form 1096 for 1972? No.

G. Is this business located within the boundaries of the city, town, etc., indicated?: Yes.

H. Did you own this business at the end of 1972? Yes.

I. How many months in 1972 did you own this business? 12.

J. Was an Employer's Quarterly Federal Tax Return, Form 941, filed for this business for any quarter in 1972? No.

INCOME

1. Gross receipts or sales, $23,861.12.

3. Gross profit, did not receive 1099 statements from all sources—income reported from cash receipts records.

5. Total income, $23,861.12.

6. Depreciation, $102.85.

DEDUCTIONS

19. Other buiness expenses (specify):

(a) Auto and local travel 2,858.84 less reimb., ($1,809.01), $1,049.83.

(b) Office Supplies and Expense, $3,338.77.

(c) Delegate and Constituent expenses, $1,622.15.

(d) Research and Commissions, $924.15.

(e) Dues and Subscriptions, $298.20.

(f) Others Travel and Lodging 29,422.44, less reimbursement ($19,893.13), $9,529.31.

(h) Tele and Tele 790.15-less reimb. ($439.14), $351.01.

(i) Printing and Publications 895.40–less reimb. ($625.50), $269.90.

(j) Communications and Recordings, $1,206.64.

(k) Bank charges, $43.80.

(p) Total other business expenses, $18,633.76.

20. Total deductions, $18,736.61.

21. Net profit (or loss), $5,124.51.

SCHEDULE C–2 DEPRECIATION

a. Group and guideline class or description of property, furniture and fixtures.

b. Date acquired, 1969.

c. Cost or other basis, $411.42.

d. Depreciation allowed or allowable in prior years, $205.70.

e. Method of computing depreciation, SL.

f. Life or rate, 4.

g. Depreciation for this year, $102.85.

5. Totals, $102.85.

Balance, $102.85.

SUMMARY OF DEPRECIATION

3. Other, $102.85.

Total, $102.85.

CAPITAL GAINS AND LOSSES 1972

Part I—Short-term Capital Gains and Losses

a. Kind of property and describtion (Example, 100 shares of "Z" Co.)

b. How acquired. Enter letter symbol A.

f. Gain (or loss (d less e) $541.91.

1. Schedule attached.

3. Enter net gain (or loss), $541.94.

4(a). Short-term capital loss component carryover from years beginning before 1970, $8881.90.

4(b) Short-term capital loss carryover attributable to years beginning after 1969, $2880.00.

5. Net short-term gain (or loss), $11219.96.

Part III—Summary of Parts I and II

14. Combine the amounts shown on lines 5 and 13, and enter the net gain or loss here, $11219.96.

16. (a) Enter one of the following amounts: ($11219.96).

(b) Enter here and enter as a (loss) on line 36, Form 1040, the smaller of: $1000.00.

Number of shares, 100 Sonesta Int'l Hotel Corp.; date purchased, 12/20/71; date sold, 1/12/72; gross sales price, $651,85; cost, $619.50; gain or (loss), $32.35.

Number of shares, 200 WT National Gen., date purchased, 12/31/71: date sold, 1/13/72; gross sales price, $1,308.72; cost, $1,239.00; gain or (loss), $69.72.

Number of shares. 200 Drew National Corp.; date purchased, 1/6/72; date sold, 1/25/72; gross sales price, $1,407.22; cost, $1,239.00; gain or (loss), $163.22.

Number of shares, 200 Cayman Corp.; date purchased, 1/25/72; date sold, 3/15/72; gross sales prices, $1,057.50; cost, $1,137.50; gain or (loss), ($80.00).

Number of shares, 100 Lectro Mgmt, Inc.; date purchased, 12/31/71; date sold, 3/15/72; gross sales price, $260.99; cost, $287.75; gain or (loss) (?26.76).

Number of shares, 200 Lectro Mgmt, Inc.; date purchased, 1/13/72; date sold, 3/16/72; gross sales price, $618.98; cost, $601.25; gain or (loss), $17.73.

Number of shares, 50 Comtech Indust. Inc.; date purchased, 3/17/72; date sold, 3/24/72; gross sales price, $488.12; cost, $250.00; gain or (loss), $238.12.

Number of shares, 100 Comtech Indust. Inc.; date purchased, 3/17/72; date sold, 3/24/72; gross sales price, $965.75; cost, $500.00; gain or (loss), $465.75.

Number of shares, 200 Diversified Industries; date purchased, 3/15/72; date sold, 3/24/72; gross sales price, $1,057.47; cost, $1,289.75; gain or (loss), ($232.28).

Number of shares, 500 Gateway Sporting Goods; date purchased, 3/24/72; date sold, 4/7/72; gross sales price, $2,908.44; cost, $2,676.00; gain or (loss), $232.44.

Number of shares, 300 Sonesta Int'l Hotel; date purchased, 4/7/72; date sold, 4/13/72; gross sales price, $3,181.82; cost, $2,688.63; gain or (loss), $493.19.

Number of shares, 300 National Indust. Inc.; date purchased, 4/14/72; date sold, 8/22/72; gross sales price, $1,667.65; cost, $2,499.19; gain or (loss), ($831.54).

Total gain, $541.94.

SUPPLEMENTAL INCOME SCHEDULE AND RETIREMENT INCOME CREDIT COMPUTATION—1972

Name(s): Maurice R. and Rita Gravel.

Your [redacted]

PART III—INCOME OR LOSSES FROM PARTNERSHIPS, ESTATES OR TRUSTS, SMALL BUSINESS CORPORATIONS

(a) Name and address: Mike Gravel Real Estate Development, Inc.

(c) Employer identification number, 92–0033655.

(d) Income or loss, ($431.91).

2. Income (or loss) total of column (d) less total of column (e), ($431.91).

COMPUTATION OF SOCIAL SECURITY SELF-EMPLOYMENT TAX, 1972

Name of self-employed person: Maurice R. Gravel.

Social security number of self-employed person: [redacted]

Business activities subject to self-employment tax, public speaker and service.

COMPUTATION OF NET EARNINGS FROM BUSINESS SELF-EMPLOYMENT

1. Net profit (or loss) shown in Schedule C (Form 1040), $5,124.51.

3. Net earnings (or loss) from business self-employment, $5,124.51.

COMPUTATION OF SOCIAL SECURITY SELF-EMPLOYMENT TAX

8. Net earnings (or loss) from self-employment—

(a) From business, other than farming, $5,124.51.

9. Total net earnings (or loss) from self-employment reported on line 8, $5,124.51.

10. The largest amount of combined wages and self-employment earnings subject to social security tax for 1972 is $9,000.00.

11. (a) Total "FICA" wages as indicated on Form W-2.

12. Balance, $9,000.00.

13. Self-employment income, $5,124.51.

14. If line 13 is $9,000, enter $675.00; if less, multiply the amount on line 13 by .075, $384.34.

16. Self-employment tax, $384.34.

CLARK SHERWOOD & Co.,
Wheaton, Md.

I hereby certify that I was in a travel status in the Washington, D.C. area, away from home, in the performance of my official duties as a Member of Congress, for 210 days during the taxable year, and my deductible living expenses while in such travel status amounted to over $3,000.00.

Honorable MIKE GRAVEL.

INCOME TAX AUDIT CHANGES—RETURN FORM NO. 1040

Name and address of taxpayers: Maurice R. and Rita Gravel, U.S. Senate, Washington, D.C. 20510.

Filing stats, Joint.

Name and title of person consulted on changes: Clarkson R. Sherwood, Power of Attorney.

1. ADJUSTMENTS TO INCOME— YEAR 1972

A. Defense fund contributions, $19,971.

B. Legal fees ($14,226).

2. Total adjustments, $5,745.

3. Adjusted gross or taxable income shown on return or as previously adjusted, $29,059.

4. Corrected adjusted gross or taxable income, $34,804.

5. Tax, $9,838.

8. Corrected tax liability (Lesser of line 5 and 6 plus line 7), $9,838.

10. Balance (Line 8 less amounts on lines 9A through 9C), $9,838.

11. Plus: B. Self-employment tax, $384.

12. Total corrected income tax liability (Line 10 plus amounts on lines 11A through 11C), $10,222.

13. Total tax shown on return or as previously adjusted, $7,897.

14. Statutory deficiency or (overassessment) (Difference between lines 12 and 13), $2,325.

Examining officer's signature: Alan Lovinger, District: Baltimore. Date: 12/14/73.

MEMORANDUM

To: PETER FREDERICK, VIRGIL RICHMOND, and DAVID FEGAN.

From: Charles Fishman.

Date: August 4, 1972.

Re Congressional Defense Fund.

As you requested on the telephone this memorandum is submitted for the purpose of detailing the origins of the Congressional Defense Fund, the sources of its contributions, the history of the litigation between Senator Mike Gravel and the United States, and the purpose for which the funds are expended.

Senator Gravel publicly released the Pentagon Papers to the American public during a hearing of the Subcommittee on Public Buildings and Grounds of the Senate Public Works Committee on June 29, 1971. Shortly thereafter an aide of his, Dr. Leonard S. Rodberg, was subpenaed to appear before a federal grand jury in Boston, Massachusetts. Senator Gravel moved to intervene in that litigation and to prevent the grand jury from questioning Dr. Rodberg about the Senator's sources, the Subcommittee meeting, the publication of the Pentagon Papers, or any matter related thereto by claiming that those acts were official Senatorial duties which, under the Constitution, could not be investigated by the Executive or Judicial branches of the government.

This litigation continued for well over a year and ultimately reached the Supreme Court for decision in June, 1972. During this period Senator Gravel incurred a substantial obligation which consisted of attorney's fees and expenses. Senator Gravel has paid for a limited portion of these expenses out of his own pocket and through a series of bank loans. Unfortunately he did not have the resources to pay the entire bill.

Several months ago a number of political leaders in Alaska learned of the Senator's financial plight and sent unsolicited contributions to the Senator to help defray his expenses. Other unsolicited contributions were also received for the same purpose. As a result the Senator set up a Congressional Defense Fund which is administered by his Administrative Assistant, Martin J. Wolf. A number of other contributions were received as a result of stories detailing the case of the Senator's financial position which appeared in several prominent magazines and newspapers. Mr. Wolf also mailed a short report of the legal situation and a request for assistance to a limited number of people. Their contributions were also placed in the Fund.

More recently several acquaintances of the Senator who are aware of his plight met in New York for other purposes but also decided to help him. They approached him to offer their financial support as a form of corporation contributions to the Fund. Before accepting such contributions the Senator instructed me to contact your office to determine if such contributions would be permissible under the Internal Revenue Code, and what the consequences would be to those corporations who contributed, as well as to himself. None of these contributions has yet been accepted but the Senator does desire to accept them if they are legal.

A strict accounting has been maintained of all expenditures and receipts. Expenditures have only been made for the purpose of defraying the legal costs which have been incurred.

As I told you on the phone the case has actually very little to do with the Senator, but rather raises the question of the extent to which the Executive and Judicial branches of the federal government may incur into how members of the Legislative branch receive information and their efforts to inform the American public of instances of Executive misconduct. It is for this reason that the United States Senate joined Senator Gravel in the Supreme Court to argue on the same side of the issue. This is the first time in modern history that the Senate has so acted and clearly indicates the degree to which the issue transcends any one individual.

Indeed it is my view as the Senator's chief counsel that were it not for the importance of the principle involved the litigation would have terminated long ago. I trust this memorandum is sufficient for your purposes. If it is not, please feel free to contact me for further information.

DEPARTMENT OF THE TREASURY,
INTERNAL REVENUE SERVICE,
Washington, D.C., August 7, 1972.

Hon. MIKE GRAVEL,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GRAVEL: This is to advise you of the status of your letter of July 21, 1972, concerning the Federal income tax effects of the Congressional Defense Fund paying your legal expenses associated with your release of the Pentagon Papers.

In looking into this matter, we recognized that we would need more detailed information to answer your questions. We telephoned your Administrative Aide, Mr. Marty Wolf, on July 28, 1972, to advise him of this fact. Mr. Wolf stated that he would have your attorney, Mr. Chuck Fishman, contact us on the matter.

When Mr. Fishman telephoned us on August 1, 1972, we explained the type of information we need. He promised to send it to us at an early date.

Upon receipt of the requested information every effort will be made to expedite the issuance of a reply to your questions.

Sincerely,

PETER P. WEIDENBRUCH, Jr.,
Assistant Commissioner (Technical).

DEPARTMENT OF THE TREASURY,
INTERNAL REVENUE SERVICE,
Washington, D.C., February 27, 1973.

Hon. MIKE GRAVEL,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GRAVEL: This is in regard to your letter of July 21, 1972, concerning the Federal income tax effects of the Congressional Defense Fund paying your legal expenses associated with your release of the Pentagon Papers.

We regret the delay in replying to you. Presently, several alternative courses of action are being considered with respect to the issues you have raised. We hope to reply to you at an early date.

Thank you for your understanding in this matter.

Sincerely yours,

LESTER W. UTTER,
Chief, Individual Income Tax Branch.

DEPARTMENT OF THE TREASURY,
INTERNAL REVENUE SERVICE,
Washington, D.C., April 4, 1973.

Hon. MIKE GRAVEL,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GRAVEL: This is in further reply to your letter of July 21, 1972, concerning the Federal income tax effects of the Congressional Defense Fund paying your legal expenses associated with your release of the Pentagon Papers. Our reply is based on supplemental information furnished to us by your attorney, Mr. Charles Fishman, in a memorandum dated August 4, 1972, and information in the Supreme Court of the United States' opinion in *Mike Gravel, United States Senator,* v. *United States,* 92 S. Ct. 2614 (1972), as well as on the information in your letter.

According to this information, on the night of June 29, 1971, as Chairman of the Subcommittee on Buildings and Grounds of the Senate Public Works Committee, you convened a meeting, read extensively from a copy of a study known popularly as the "Pentagon Papers" and placed the entire study in the public record. Also, there were press reports that you arranged for the study to be published by Beacon Press.

Thereafter, a federal grand jury investigating possible criminal conduct with respect to the realese and publication of the Pentagon Papers subpoenaed one of your aides, Mr. Leonard S. Rodberg. You intervened by filing

motions to quash the subpoenas on the ground that release and publication of the study were legislative acts shielded constitutionally from inquiry by the Executive or Judicial branch of the Government. Litigation in this matter culminated in the above-mentioned decision by the Supreme Court. The cost of legal services associated with the litigation, including travel and accommodation expenses of your attorneys and printing costs, is nearly $100,000.

As the litigation proceeded your financial problems became apparent. A number of political leaders in your home state and other people sent you unsolicited contributions to help ease your financial plight. The contributions were placed in a "Congressional Defense Fund" (the Fund) to be administered by your Administrative Assistant, Mr. Martin J. Wolf, and used to defray your legal expenses. Additional contributions were received as a result of stories about your financial difficulties that appeared in several newspapers and magazines, and from a limited number of people from whom Mr. Wolf requested assistance.

More recently, several of your acquaintances have offered financial support in the form of corporate contributions to the Fund. None of these contributions have been accepted as yet. Before accepting the contributions you wish to know:

(1) Are such contributions permissible under the Internal Revenue Code of 1954?

(2) What would be the tax consequences to those corporations making contributions?

(3) Would payments from the Fund be includible in your gross income?

(4) If the payments are included in your gross income, would you be allowed to deduct payment of your legal expenses by the Fund?

In answer to your first question, there is no provision in the Internal Revenue Code that prohibits corporations from making payments to the Fund. We caution you, however, that we do not know whether any other Federal or State laws prohibit payments to the Fund by corporations, as such laws are beyond our administrative jurisdiction.

Unfortunately, we cannot answer your second question since the answer depends upon the facts and circumstances under which each particular payment is made by each corporation. However, we are furnishing the following general information, which we believe will be helpful to you.

Section 162 of the Internal Revenue Code of 1954 allows as a deduction the ordinary and necessary business expenses paid or incurred by a taxpayer in carrying on a trade or business. Section 1.162–1(a) of the Income Tax Regulations provides, in part, that deductible expenses ". . . include the ordinary and necessary expenditures *directly connected with or pertaining to* the taxpayer's business." In *Thomas H. Welch* v. *Helvering*, 290 U.S. 111 (1933), Ct.D. 755, C.B. XII–2, 112, the Supreme Court held that an expense is "ordinary" where the paying thereof is the common and accepted practice and "necessary" if it is appropriate and helpful in developing and maintaining the taxpayer's business.

Generally, legal fees paid on behalf of, or for services rendered to, another are not deductible as ordinary and necessary business expenses. *J. Gordon Turnbull, Inc.* v. *Commissioner*, 41 T.C. 358 (1963). The reason is that normally such expenditures are not connected directly with and do not result proximately from the taxpayer's business. In the absence of such relationship, corporations making payments to the Fund are not allowed to deduct the payments as a business expense under section 162 of the Code.

Turning to your third question, we believe from the information submitted that you and the Fund are not separate and distinct entities. That is, we believe that payments *from* the Fund to you are merely a change in the manner in which you hold funds. Therefore, such payments are not includible in your gross income.

However, your third question raises impliedly the question whether payments *to* the Fund are includible in your gross income. Since the answer to this question depends upon the circumstances under which each particular payment is made, we cannot give you a blanket answer. However, we are providing the following general information with respect thereto.

Section 61(a) of the Code provides that gross income includes all income from whatever source derived, except as otherwise provided by law.

Although section 102(a) of the Code provides, in part, that gross income does not include the value of property acquired by gift, the Supreme Court has held that the term "gift" is not used in this context in a common law sense, but in a more colloquial sense. Thus, the transfer of funds, without consideration, though a common law gift, is not necessarily a "gift" for purposes of section 102(a). *Commissioner* v. *Mose Duberstein, et al.*, 363 U.S. 278 (1960), Ct.D. 1850, C.B. 1960–2, 428.

In order to qualify as a "gift" for income tax purposes, the Supreme Court in the *Duberstein* case indicated that the payment must be made by the donor but of "detached and disinterested generosity." If the donor feels a moral or legal compulsion to make the payment or if payment is made from the incentive of an anticipated economic benefit to the donor, then the payment is not to be considered a gift. For example, the Tax Court has indicated that if the donors making the gifts "anticipated, whether rightly or wrongly, that some benefit (whether specifically contemplated or of some undefined nature) might result", then the payment is not a gift to the donee. *Max and Bessie Kralstein* v. *Commissioner*, 38 T.C. 810, 818 (1962), acquiescence, C.B. 1963–2, 4.

In determining whether or not a payment is a "gift" for income tax purposes, the donor's intention is the most critical consideration; however, the donor's characterization of his action is not necessarily determinative—there must be an objective inquiry as to whether what is called a gift amounts to it in reality. For example, the donor's treatment of a payment as an expense on its income tax return is evidence that the donor did not intend such payment to be a gift. *Alex and Doris Silverman* v. *Commissioner*, 28 T.C. 1061, 1066 (1957), affirmed 253 F. 2d 849 (1958).

Based upon the above authorities, you should include the payments made to you in your gross income unless you are able to establish that with respect to any particular payment to you the donor intended to make a "gift" to you under the tests mentioned above and discussed in the above-cited authorities. As indicated, whether a particular payment to you falls within the definition of a "gift" is a factual matter, and can be determined only after consideration of all of the facts and circumstances involved. Such determination can best be made by the office of the District Director concerned following the filing of your Federal income tax return.

In reply to your last question, it appears that litigation concerning whether your aide may be questioned by a federal grand jury about your involvement in the release and publication of the Pentagon Papers has its source in your employment as a United States Senator. Accordingly, we conclude that the fees you or the Fund pay to your attorneys to litigate this matter, including the portion thereof attributable to traveling expenses and printing costs incident thereto, are deductible as ordinary and necessary business expenses. The fact that a particular contribution used to pay a portion of these expenses may, after examination, be excluded from your gross income under section 102 of the Code will not affect the deductibility of the expenses.

It is important that a copy of this ruling be attached to your tax return for the taxable year in which the transaction covered by this ruling was consummated. Accordingly, a copy is enclosed for that purpose.

We appreciate the interest and concern that prompted you to write us in this matter and hope that we have been helpful to you. Moreover, we hope that you have not been inconvenienced by our delay in replying to you.

Sincerely,

PETER P. WEIDENBRUCH Jr.,
Assistant Commissioner (Technical).

ALASKA INDIVIDUAL INCOME TAX RETURN FOR THE YEAR JAN. 1–DEC. 31, 1972

Name: Maurice R. & Rita Gravel, U.S. Senate, Washington, D.C. 20510.
Occupation: U.S. Senator, Spouse: Homemaker.

Total Exemptions: 4.

12. Wages, salaries, C.O.L.A., tips, etc. (If WR–500 unavailable, attach explanation), $42,500.

14. Interest. Enter total here (also list in Part II of Schedule B, if total is over $100), $99.86.

15. Income other than wages, dividends and interest (from line 40), ($1,431.91).

16. Total (add lines 12, 13c, 14 and 15), $41,167.95.

17. Adjustments to income (such as "sick pay," moving expenses, etc. from line 45), $3,000.00.

18. Adjusted gross income (subtract line 17 from line 16). Part Year Residents here and on page 2, line 46a, $38,167.95.

19. Tax (Check if from: Alaska Tax Rate Sch. (in red) X, Y, or Z ( ), Sch. D ( ), or Sch. G ( )), $10,983.98.

21. Income tax (subtract line 20 from line 19), $10,983.98.

23. Total (add line 21 and 22), $10,983.98.

24. Enter Alaska Income Tax (16% of amount in line 23 OR amount from tables 1–11 if page 2 not used), $1,757.44.

25. Enter your School Tax ($0.00, $10.00, $20.00. See Alaska Instructions page 16 Item 10), $10.00.

Total Tax add Lines 24, and 25, $1,767,44.

31. If payments (line 30) are less than tax (line 26) enter balance due. (Pay in full with this return), $1,767.44.

Signature of preparer: Clarkson R. Sherwood, April 12, 1973.

PART II.—INCOME OTHER THAN WAGES, DIVIDENDS, AND INTEREST

35. Net gain or (loss) from sale or exchange of capital assets (attach Schedule D), ($1,000).

37. Pensions and annuities, rents and royalties, partnerships, estates or trusts, etc. (attach Schedule E), ($431.91).

40. Total (add lines 34, 35, 36, 37, 38, and 39). Enter here and on line 15, ($1,431.91).

PART III.—ADJUSTMENTS TO INCOME

43. Employee business expense (attach Federal Form 2106 or other statement), $3,000.

45. Total adjustments (add lines 41, 42, 43, and 44). Enter here and on line 17, $3,000.

PART IV. B RESIDENT—TAX COMPUTATION

46b Adjusted gross income (from line 18), $38,167.95.

47b(a) If you itemize deductions, enter total from Schedule A, line 32; (b) if you do not itemize deductions, and line 46b is $20,000 or more, enter $2,000 ($750 if married and filing separately), $2,000.

48b Subtract line 47b from line 46b, $36,-167.95.

49b Multiply total number of exemptions claimed on line 11 by $750, $3,000.

50b Taxable income. Subtract line 49b from line 48b. Enter here and on page 8 line 1. (Printed Red), $33,167.95.

FORM 502, RESIDENT, MARYLAND TAX RETURN, 1972

Name: Maurice R. & Rita Gravel.

Address: U.S. Senate, Washington, D.C., 20510; County, Prince Georges, Taxing Area, Oxon Hill.

Occupation, U.S. Senator.

Filing status, married filing joint return or spouse had no income.

Total exemptions 4.

1. Total Income (From Line 9 Schedule A Page 2) $46,725.37.

4. Subtractions: $3,431.91.

5. Total Maryland Income, $43,292.46.

8. Itemized Deductions, $7,926.28.

9. Net Income, $35,366.18.

10. Number of Exemptions X $800 (Prorate according to number of months covered by the return), $3,200.

11. Taxable Net Income (Line 9 less Line 10) Figure Tax on These Amounts. Use Rate Schedule, $32,166.18.

12. Maryland Tax (From Table or as computed by instruction schedule when lines 8 through 11 used), $1,548.31.

13. Local Income Tax (From Rate Schedule, Page 8 of Instructions) Enter 50 percent of Line 12, $774.16.

14. Total Maryland and Local Income Tax (Add lines 12 and 13), $2,322.47.

17. Credit for Income Tax Paid another State (From Form 502 CR), $1,490.38.

19. Total Payments and Credits (Add lines 15 through 18), $1,490.38.

20. Balance Due (If Line 14 Exceeds Line 19), $832.09.

Signature of preparer, Clark Sherwood & Co., April 12, 1973.

SCHEDULE A—INCOME FROM FEDERAL RETURN

1. Wages, Salaries, Tips, etc., $42,500.

3. Interest, $99.86.

4. Business Income, $5,124.51.

5. Sale or Exchange of Property, ($1,000).

9. Total Income, $46,724.37.

SCHEDULE B—ITEMIZED DEDUCTIONS FROM FEDERAL RETURN WITH ADJUSTMENTS

2. Taxes, $4,213.19.

3. Contributions, $130.00.

4. Interest, $6,890.60.

7. Total, $11,233.79.

8. Subtract State and Local Income Taxes Included on Line 2, $3,307.51.

11. Total Maryland deductions $7,926.28.

SCHEDULE E—OTHER SUBTRACTIONS

1. Adjustments to Gross Income (From Federal Return), $3,000.

2. Losses from Annuities, Rents and Royalties, Partnerships, Estates or Trusts, etc., $431.91.

3. Total (Add Lines 1 and 2) (Enter on Page 1, Line 4b), $3,431.91.

MARYLAND FORM 502CR, TAX CREDITS FOR INCOME TAXES PAID TO OTHER STATES AND MARYLAND PERSONAL PROPERTY TAXES, 1972

Name: Maurice R. and Rita Gravel.

Address: U.S. Senate, Washington, D.C. 20510.

1. Taxable Net Income (Line 9, Page 1, Form 502), $35,366.18.

2. Income Taxable in Other State, $33,167.95.

3. Revised Taxable Net Income (Line 1 Less Line 2), $2,198.23.

4. Tax on Amount on Line 3 (From Maryland Tax Rate Schedule), $57.93.

CREDIT COMPUTATION

5. Maryland Tax (Line 12, Page 1, Form 502), $1,548.31.

6. Tentative Tax Credit (Line 5 Less Line 4), $1,490.38.

7. Tax Paid to State of Alaska (Attach copy of Return), $1,767.44.

8. Credit for Income Tax Paid to Other State (Smaller of Line 6 or 7) (Enter Here and on Line 17, Page 1, Form 502), $1,490.38.

Form 1120S

U.S. SMALL BUSINESS CORPORATION INCOME TAX RETURN FOR OCTOBER 1, 1971, ENDING SEPTEMBER 30, 1972

Name: Mike Gravel Real Estate Development, Inc., Box 2283, Anchorage, Alaska 99501.

D. County in which located, Greater Anchorage.

E. Enter total assets from line 14, column D, Schedule L, $30,254.31.

6. Other interest, $97.53.

11. Total income, lines 3 through 10, $97.53.

21. Depreciation (Schedule G), $18.54.

26. Other deductions (attach schedule (Devel. Prog. $500.00 Bank Charges $10.90), $510.90.

27. Total deductions, lines 12 through 26, $529.44.

28. Taxable income, line 11 less line 27, ($431.91).

Date and Signature of preparer: Clarkson R. Sherwood, April 11, 1973.

DEPRECIATION

3. Other depreciation: Machinery and other equipment, date acquired, 3/67; cost or other basis, $324.45; depreciation allowed or allowable in prior years, $139.01; method of computing depreciation, DB; life or rate, 10, and depreciation for this year, $18.54.

4. Totals, costs or other basis, $324.45; depreciation for this year, $18.54.

SUMMARY OF DEPRECIATION

3. Other: declining balance, $18.54; total, $18.54.

TAX COMPUTATION

2. (b) Subtract $6,500 and enter difference, $6,500.

4. Subtract $25,000. (Statutory minimum), $25,000.

SHAREHOLDERS' SHARES OF INCOME

1. Taxable income (line 28, page 1), ($431.91).

3. Corporation's undistributed taxable income, ($431.91).

Schedule Distribution and Income

1. Name of each shareholder

A. Maurice R. Gravel, 4,000 shares.

B. Rita J. Gravel, 6,000 shares.

6. Undistributed taxable income (loss), Shareholer A, ($172.76); Shareholder B, ($259.15); total, ($431.91).

9. Ordinary income Shareholder A, ($172.-76); Shareholder B, ($259.15); total ($431.91).

F. Date incorporated 9/19/66.

H. Did the corporation during the taxable year have any contracts or subcontracts subject to the Renegotiation Act of 1951? No.

I. Amount of taxable income or (loss) for: 1968 ($5,183.52); 1969 ($2,412.00); 1970 ($110.41).

J. Refer to instructions for business activity codes and state the: Principal business activity, real estate; prinicipal product of service, consulting and developing.

K. Were you a member of a controlled group subject to the provisions of sections 1561 or 1562? No.

L. Did you claim a deduction for expenses connected with any:

(1) Entertainment facility (boat, resort, ranch, etc.)? No.

(2) Living accommodations (except employees on business)? No.

(3) Employees' families at conventions or meetings? No.

(4) Employee or family vacations not reported on Form W-2? No.

M. Did you file all required Forms 1099, 1096 and 1087? No.

N. Did the corporation, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? No.

SCHEDULE L—BALANCE SHEETS

Assets

1. Cash, beginning taxable year, $159.23; end of taxable year $188.33.

2. (a) Less allowance for bad debts, beginning taxable year, $936.15.

6. Loans to shareholders, beginning taxable year $28,839.08; end of taxable year $29,-899.08.

9. Buildings and other fixed depreciable assets, beginning taxable year, $324.45; end of taxable year $324.45.

(a) Less accumulated depreciation beginning taxable year, $139.01; end of taxable year, $185.44; end of taxable year, $157.55; total $166.90.

14. Total assets, beginning of taxable year, $30,119.90; end of taxable year, $30,254.31.

LIABILITY AND SHAREHOLDERS' EQUITY

15. Accounts payable beginning of taxable year, $26,819.85; end of taxable year, $28,-419.85.

22. Paid-in or capital surplus (attach reconciliation), beginning of taxable year $2,-266.37; end of taxable year, $1,834.46.

27. Total liabilities and shareholders' equity, beginning of taxable year, $30,119.90; end of taxable year, $30,254.31.

RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1. Total net income per books, ($431.91).

ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS

2. Total net income per books, ($431.91).

[Form DR700—1971]

ALASKA CORPORATION INCOME TAX RETURN FOR CALENDAR YEAR 1971 OR OTHER TAXABLE YEAR BEGINNING OCTOBER 1, 1971 ENDING SEPTEMBER 30, 1972.

Name: Mike Gravel Real Estate Development, Inc., Box 2283, Anchorage, Alaska 99501.

E. Borough in which located: Greater Anchorage.

F. Enter total assets from line 14, column (D), Schedule L (See inst. R), $30,254.31.

Deductions and gross income copy of Federal return attached.

U.S. INDIVIDUAL INCOME TAX RETURN, 1973

Maurice R. and Rita Gravel, U.S. Senate, Washington, D.C.

Social security numbers: [redacted] and [redacted]

Occupation: U.S. Senator and homemaker.

FILING STATUS

2. Married filing joint return (even if only one had income).

EXEMPTIONS

6a. Yourself.

b. Spouse.

c. First names of your dependent children who lived with you (see schedule 1).

7. Total exemptions claimed: 4.

8. Presidential Election Campaign Fund.—Check (Yes) if you wish to designate $1 of your taxes for this fund. If joint return, check (Yes) if spouse wishes to designate $1.

9. Wages, salaries, tips, and other employee compensation: $42,500.

11. Interest income: $138.

12. Income other than wages, dividends, and interest (from line 38): $14,722.

13. Total, $57,360.

14. Adjustments to income: $4,971.

15. Subtract line 14 from line 13: $52,389.

16. Tax, check if from Tax Rate Schedule X: $9,548.

18. Income tax: $9,548.

19. Other taxes: $864.

20. Total: $10,412.

21a. Total Federal income tax withheld: $10,789.

22. Total: $10,789.

24. If line 22 is larger than line 20, enter amount overpaid: $377.

25. Amount of line 24 to be refunded to you: $377.

SHERWOOD & WILLIAMS, INC.,
April 4, 1974.

PART I—INCOME OTHER THAN WAGES, DIVIDENDS, AND INTEREST

28. Business income or (loss) :$11,262.
29. Net gain or (loss) from sale or exchange of capital assets: $7,448.
31. Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc.: $3,988.
38. Total: $14,722.

PART II—ADJUSTMENTS TO INCOME

41. Employee business expense: $4,971.
43. Total adjustments: $4,971.

PART III—TAX COMPUTATION

44. Adjusted gross income: $52,389.
45. If you itemize deductions, enter total from Schedule A, line 41 and attach Schedule A: $15,275.
46. Subtract line 45 from line 44: $37,114.
47. Multiply total number of exemptions claimed on line 7, by $750: $3,000.
48. Taxable income. Subtract line 47 from line 46: $34,114.

PART V—OTHER TAXES

55. Self-employment tax: $864.
61. Total: $864.

FEDERAL INCOME TAX INFORMATION

Hon. Mike Gravel, U.S. Senate, S.S. No. [redacted]
xxx-xx-x...

Federal income tax withheld, $10,789.20.
Wages paid subject to withholding in 1973, $42,500,00.

1973 TAXPAYER IDENTIFICATION DATA, WAGES AND OTHER DATA

Maurice R. and Rita Gravel, U.S. Senate, Washington, D.C. 20510.
Occupation, U.S. Senator and homemaker.
Name and address of taxpayer's present employer: U.S. Senate.
Dependent children who lived with taxpayer: Martin and Lynn.
Total children: 2.

INCOME FROM WAGES, SALARIES AND TIPS

United States Senate: F.W.T., $10,789.
Gross, $42,500.

ITEMIZED DEDUCTIONS

Medical and dental expenses

1. One half (but not more than $150) of insurance premiums for medical care, $79.
3. Enter 1% of line 15, Form 1040, $524.
5. Enter balance of insurance premiums for medical care not entered on line 1, $79.
6. a. Doctors, dentists, etc., $360.
7. Total, $439.
8. Enter 3% of line 15, Form 1040, $1,572.
10. Total. Enter here, $79.

Taxes

11. State and local income, $2,600.
12. Real estate, $590.
13. State and local gasoline, $65.
14. General sales, $350.
17. Total, $3,605.

Interest expense

19. Other (see schedule 11), $11,511.
20. Total, $11,511.

Contributions

21b. Other cash contributions, (see schedule 9, $80.
24. Total contributions, $80.

Summary of itemized deductions

35. Total medical and dental, $79.
36. Total taxes, $3,605.
37. Total interest, $11,511.
38. Total contributions, $80.
41. Total deductions, $15,275.

Interest income

Senate Employees Fed. Cr. Union, $16.
Internal Revenue, $22.
Alaska Mutual Savings Bank, $100.

Medical and dental

Medical insurance premiums in full, $158.
Doctors, dentists, etc., $360.
Total medical, $518.

Taxes

State and local income, $2,600.
Real Estate tax, $590.
State and local gas, $65.
General sales, $350.

Contributions

Heart Fund, $5.
Dollars for Scholars, $25.
Nome Children's Fund, $50.
Total, $80.

Interest expense

Schedule attached, $11,511.
Total interest, $11,511.

Schedule of interest expense

Gov. Services Savings & Loan, Const. Loan, $2,691.76.
Gov. Services Savings & Loan, Permanent Loan, $3,354.77.
Senate Employees Fed. Credit Union, $134.67.

Bank Loans

National Commerc. Bk. & Tr. Co., $740.52.
Washington Trust Co., $740.52.
Virginia National Bank, $175.00.
Am. Sec. & Trust Co., $137.76.
Security National Bank, $310.47.
Riggs National Bank, $146.36.
Prestwick Corp. Lot 9—Tantallon, $56.56.
Citizens Bank of Md. #[redacted] XXXX $90.41.
Citizens Bank of Md. #[redacted] xxx-xx-xx... $123.33.
Alaska Mutual Savings Bk.—Scharhut, $49.97.
United Bank & Trust Co.—Note CM #672, $1,040.13.
United Bank & Trust Co.—Note M #138, $1,149.26.
Department Stores, $114.97.
Total interest expense, $11,511.46.

PROFIT OR (LOSS) FROM BUSINESS OR PROFESSION, 1973

A. Principal business activity: Fund Administration, Legal Defense.
B. Business name: Congressional Defense Fund.
D. Business address: New Senate Office Building, Washington, D.C.
E. Indicate method of accounting: Cash.

DEDUCTIONS

19. Other business expenses (specify): See Form 7.
21. Net profit (or loss), $682.00.
Did you claim a deduction for expense connected with:
(1) Entertainment facility (boat, resort, ranch, etc.)? No.
(2) Living accommodations (except employees on business)? No.
(3) Employees' families at conventions or meetings? No.
(4) Employee or family vacations not reported on Form W–2? No.

PROFIT OR LOSS FROM BUSINESS OR PROFESSION, 1973

Principal Business Activity, Fund Administration.
Taxpayer's Business Name, Congressional Defense Fund.
Business Address, New Senate Office Bldg., Washington, D.C.
Product, Legal Defense.

Income

Gross receipts or sales, $484.
Gross profit, $484.
Total income, $484.
Legal and professional fees, $927.
Other business expenses—See schedule, $239.
Total deductions, $1,166.
Net profit or (loss), $682.
Did you claim a deduction for expenses connected with:
(1) Entertainment facility (boat, resort, ranch, etc.)? No.
(2) Living accommodations (except employees on business)? No.
(3) Employees' families at conventions or meetings? No.
(4) Employees or family vacations not reported on Form W–2? No.

PROFIT OR (LOSS) FROM BUSINESS OR PROFESSION, 1973

Principal business activity, Public speaking; product, speeches.
Business name, Senator Mike Gravel.
Business address (number and street), New Senate Office, Room 4107. City, State and ZIP code, Washington, D.C. 20510.
Indicate method of accounting: Cash.
19. Other business expenses (specify): (See Form–7).
21. Net profit or (loss), $11,944.
Did you claim a deduction for expenses connected with:
(1) Entertainment facility (boat, resort, ranch, etc.)? No.
(2) Living accommodations (except employees on business)? No.
(3) Employees' families at conventions or meetings? No.
(4) Employee or family vacations not reported on Form W–2? No.

PROFIT OR (LOSS) FROM BUSINESS OR PROFESSION, 1973

Gross receipts or sales balance, $16,900.00.
Other income, publications and article and travel reimb., $2,020.38.
Total income, $557.00 and $1,463.38, $16,920.38.
Depreciation, $2,130.93.
19. Other business expenses (specify):
(a) Travel & Lodgings, $4,154.49.
(b) Tele & Tele, $690.91.
(k) Total other business expenses, $4,845.40.
20. Total deductions, $6,976.33.
21. Net profit or (loss), $11,944.05.

Depreciation

(a) Indicates group and guideline class or description of property.
(b) Indicates date acquired.
(c) Indicates cost or other basis.
(d) Indicates depreciation allowed or allowable in prior years.
(e) Indicates method of computing depreciation.
(f) Indicates life or rate.
(g) Indicates depreciation for this year.
a. Furniture and fixtures; b. 1969; c. $411.42; d. $308.55; e. SL; f. 4; g. $102.87.
a. Transportation equipment;* b. 1971; c. $4,300.00; e. SL; f. 2; g. $2,000.00.
a. Filing cabinet; b. 9/7/73; c. $288.75; e. SL; f. 4; g. $24.06.
a. Safe; b. 9/7/73; c. $83.50; e. SL; f. 7; g. $4.00.
Total, c. $5,083.67; g. $2,130.93.
Balance, g. $2,130.93.

FORM 7

PROFIT OR LOSS FROM BUSINESS OR PROFESSION, 1973

Principal business activity: Public speaking; Product: Speeches.
Schedule C gross receipts: $42,500.

Income

Net profit or (loss), $11,944.

CAPITAL GAINS AND LOSSES, 1973

Part I—Short-term capital gains or losses

Enter your share of net short-term gain (or loss) from partnerships and fiduciaries, $9.
Enter net gain (or loss), $9.
Short-term capital loss component carryover from years beginning before 1970, $6,632.
Short-term capital loss carryover attributable to years beginning after 1969, $3,400.
Net short-term gain (or loss), $10,023.

Part II—Long-term capital gains and losses

Capital gain distributions, $24,919.
Net gain (or loss), $24,919.
Net long-term gain (or loss), $24,919.

Part III—Summary of parts I and II

Combine the amounts shown on lines 5

*Sold Dec. 1973 at book value.

and 13, and enter the net gain or loss here, $14,896.

If line 14 shows a gain—(a) Enter 50% of line 13 or 15% of line 14, whichever is smaller, $7,448.

(b) Subtract line 15(a) from line 14, $7,448.

CAPITAL GAINS AND LOSSES

1973 gains and losses from sales or exchanges of property

How acquired letters A, B, C. D, E, E, S, kind of property and description, 15 sh. WTS Nat'l. H. acquired 8–28–72, sold 2–20–73, gross sales price, $9. $42¯, gain or (loss) short term, $9.

A. L. 100 sh. Gen. Microwave, H. acquired 4–17–72, sold 2–20–73, gross sales price, $462, cost or other basis incl. selling expenses, $427, gain or (loss) long term ($165)

A. L. 100 sh. Kairos Corp., H. 5–22–72, sold 2–20–73, gross sales price, $24, cost or other basis incl. selling expenses, $440, gain (or (loss), long term ($416).

E. L., 1,700 sh. M.G.F.D. Inc. W. acquired 9–19–66, sold 11–6–73), gross sales price, $25,-500, cost or other basis incl. selling expenses, gain or (loss) long term $25,000.

Totals, gross sales price $25,795, cost or other basis incl. selling expenses, $867, gain or (loss) short term $9, very long $24,919.

Alternate tax information

Federal, $24,919.

Unused capital loss carryovers from years prior to 1970—short term

Capital loss 1969 and prior, $13,030.

Less losses applied 1969 and prior, 1970, $3,009.

Less losses applied 1971, $1,660.

Less losses applied 1972, $1,729.

Total losses applied

Federal, $6,632.

Unused capital loss carryover-beginning in 1970 or after—short term

Capital loss 1970, $3,400.

SUPPLEMENTAL INCOME SCHEDULE AND RETIREMENT INCOME CREDIT COMPUTATION, 1973

Part II—Rent and royalty income

Net income (or loss) from rents and royalties, $3,154.

Part III—Income or losses from partnerships, estates or trusts, small business corporations

Income (or loss), $834.

Total of parts I, II, and III, $3,988.

SCHEDULE E—SUPPLEMENTAL INCOME SCHEDULE

Part I Pension and annuity income

Schedule supporting Part II Rent & Royalty income (Property No. 1) Janitorial service, $293; Supplies, $40; Insurance, $168.

Part II—Rent and royalty income

Property No. 1, Condo Apt., Anchorage, Alaska.

Total amount of rents, $3,600.
Repairs and maintenance, $822.
Utilities, $91.
Taxes—Real Estate, $834.
Others—Mortgage interest, $2,866.
Depreciation, $1,640.
Total expenses, $6,754.
Net income (or loss), ($3154).
Total net income (or loss) (No. 1 and No. 2), 309, ($3,154).

Part III Income or losses from partnerships, estates or trusts, and Small Business Corporations

(A) Name and address: M. G. R. E. D., Inc., Anchorage, Alaska, small business corporation.

(C) Employer Identification Number, 92–0032655.

(D) Income or Loss, $(11).

(A) Name and address: M. G. R. E. D., Inc., Anchorage, Alaska, small business corporation.

(C) Employer Identification Number, 92–0033655.

(D) Income or Loss, ($16).

(A) Name and Address: Heart-L-Ranch Co., Tw. Beidg, Mont., small business corporation.

(C) Employer Identification Number, 81–0306068.

(D) Income or Loss, ($807).

Totals, ($834).

Schedule for Depreciation claimed in Part II Above

4. Other depreciation: Condominium Apartment.

(B) Date acquired, 12/15/72.
(C) Cost or other basis, $41,000.
(E) Method of computing depreciation, SL.
(F) Life or rate, 4%.
(G) Depreciation for this year, $640.

5. Totals, $1,640.

Summary of depreciation (other than additional first year depreciation), $1,640.

COMPUTATION OF SOCIAL SECURITY SELF-EMPLOYMENT TAX, 1973

Business activities subject to self-employment tax, Public Speaking.

Part II—Computation of net earnings from nonfarm self-employment

Regular method—Net profit or (loss) from: (a) Schedule C, line 21, $11,262.

Total, $11,262.

Adjusted net earnings or (loss) from nonfarm self-employment, $11,262.

Nonfarm optional method, (a) Maximum amount reportable, under both optional methods combined (farm and nonfarm), $1,600.00.

Part III—Computation of social security self-employment tax

Net earnings or (loss): (b) From nonfarm, $11,262.

Total net earnings or (loss) from self-employment reported on line 12, $11,262.

The largest amount of combined wages and self-employment earnings subject to social security tax for 1973 is $10,800.00.

Balance, $10,800.

Self-employment income, $10,800.

If line 17 is $10,800, enter $864.00; if less, multiply the amount on line 17 by .08, $864.

Self-employment tax, $864.

STATEMENT OF EMPLOYEE AUTOMOBILE EXPENSE AND BUSINESS EXPENSE—TAX YEAR 1973

Senator Mike Gravel, U.S. Senator, Soc. Sec. No. [redacted]

Travel expenses

Other—see attached. Living expenses.—Code Sec. 162(2)(3) IRC, $3,000.

Total travel expenses (certification attached), $3,000.

Entertainment and miscellaneous expenses

Other—see attached, $35,780.
Total expenses, $35,780.
Total business expenses, $38,780.
Less employer's reimbursements, $33,809.
Net business expenses—line 41, Form 1040, $4,971.
Excess payments—line 37, Form 1040, $.

(Year Ended 12/31/73)

SCHEDULE OF CONGRESSIONAL REIMBURSEMENTS AND EXPENSE

Reimbursements.—
Travel Fares, Meals & Lodgings, $14,926.83.
Local Travel (mileage reimbursement), $1,831.60.
Home office allowance, $3,699.77.
Telephone expenses outside Washington, D.C., $10,542.31.
Entertainment of constituents, $242.00.
Miscellaneous D.C. office expenses, $1,-154.55.
Dues & Subscriptions—Home state, $1,-411.56.
Total Congressional Reimbursements, $33,-808.62.

Expenses: Travel fares, meals & lodgings, $15,102.31.
Auto & Local transportation, $3,129.36.
Home office expense:
Telephone, $10,719.18.
Supplies, etc., $2,985.53.
Dues & Subscriptions, $1,062.45.
Total home office exp., $14,767.16.
Entertainment of constituents, $945.27.
D.C. office expenses:
Postage, $367.81.
Supplies, etc., $1,451.46.
Bank charges, $16.63.
Total D.C. office exp., $1,835.90.
Total Congressional Expense, $35,780.00.

APRIL 1974.

I hereby certify that I was in a travel status in the Washington, D.C. area, away from home, in the performance of my official duties as a Member of Congress, for 184 days during the taxable year ended December 31, 1973, and my deductible living expenses while in such travel status amounted to an excess of $3,000.00.

Honorable MIKE GRAVEL.

AMENDED U.S. INDIVIDUAL INCOME TAX RETURN

Income and Deductions

Total income:
A. As originally reported or as adjusted (See Specific Instr.), $49,037.46.
B. Net change (Increase or Decrease—explain on page 2), $5,569.73.
C. Correct amount, $43,467.73.
Deductions:
A. As originally reported or as adjusted (See Specific Instr.), $11,233.79.
B. Net change (Increase or Decrease—explain on page 2).
C. Correct amount, $11,233.79.

Tax Liability

3. Total tax:
A. As originally reported or as adjusted (See Specific Instr.), $10,222.00.
B. Net change (Increase or Decrease—explain on page 2), $2,532.93.
C. Correct amount, $7,689.07.

Payments and Credits

Federal income tax withheld and excess F.I.C.A. tax:
A. As originally reported or as adjusted (See Specific Instr.), $10,789.20.
B. Net change (Increase or Decrease—explain on page 2),.
C. Correct amount, $10,789.20.
Total of lines 4 through 8, column C, $10,789.20.
Overpayment, if any, shown on original return, $2,891.98.
Subtract line 10 from line 9, and enter result, $7,897.22.
If line 3, column C is less than line 11, enter Refund to be received, $208.15.

Explanation of Changes to Income, Deductions, and Credits

Decrease in income: sub chapter S–E.I #81–0306068–Loss (schedule K–1 attached), (w) ($5,569.73).

Long term capital gain (amended sched, D. attached), (w) no adjustment.

Decrease in tax liability: Investment credit (form 3468 attached).

SHAREHOLDER'S SHARE OF UNDISTRIBUTED TAXABLE INCOME, ITEMS OF TAX PREFERENCE, AND INTEREST ON INVESTMENT INDEBTEDNESS—1972

1. Undistributed taxable income—ordinary income or (loss), ($5,569,737).

2. Undistributed taxable income—long-term capital gain after tax, $187.28.

Shareholder's name identifying number and address: Rita Gravel, Star Rt., Twin Bridges, MT 59754.

Corporation's name, identifying number, and address: Heart L Ranch, Star Rt., Twin Bridges, MT 59754.

CAPITAL GAINS AND LOSSES

Part I—Short-term Capital Gains and Losses

1. Schedule Attached: f. Gain (or loss) (d less e), $541.94.

3. Enter net gain (or loss), $541.94.

4(a). Short-term capital loss component carryover from years beginning before 1970, $8,881.90.

4(b). Short-term capital loss carryover attributable to years beginning after 1969, $2,880.00.

5. Net short-term gain (or loss), combine lines 3, 4(a) and 4(b), $11,219.96.

Part II—Long-term capital gains and losses

10. Enter your share of net long-term gain from small business corporations (Subchapter S), $187.28.

13. Net long-term gain (or loss), combine lines 11, 12(a) and 12(b), $187.28.

Part III—Summary of parts I and II

14. Combine the amounts shown on lines 5 and 13, and enter the net gain or loss here, $11,032.68.

Otherwise, (iii) If amounts on line 5 and line 13 are net losses, enter amount on line 5 added to 50% of amount on line 13: $11,032.68.

(b) Enter here and enter as a (loss) on line 36, Form 1040, the smaller of: (iii) Taxable income, as adjusted (see Instruction L), $1,000.00.

SCHEDULE OF SHORT-TERM GAINS AND LOSSES

Number of Shares, 100; Security, Sonesta Int'l Hotel Corp.; Date Acquired, 12/20/71; Date Sold, 1/12/72; Gross Sales Price, $651.85; Cost, $619.50; Gain or (Loss), $32.35.

Number of Shares, 200; Security, W. T. Nat'l Gen.; Date Acquired, 12/31/71; Date Sold, 1/13/72; Gross Sales Price, $1,308.72; Cost, $1,239.00; Gain or (Loss), $69.72.

Number of Shares, 200; Security, Drew Nat'l Corp.; Date Acquired, 1/6/72; Date Sold, 1/25/72; Gross Sales Price, $1,402.22; Cost, $1,239.00; Gain or (Loss), $163.22.

Number of Shares, 200; Security, Cayman Corp., Date Acquired, 1/25/72; Date Sold, 3/15/72; Gross Sales Price, $1,057.50; Cost, $1,137.50; Gain or (Loss), ($80.00).

Number of Shares, 100; Security, Lectro Mgmt Inc.; Date Acquired, 12/31/71; Date Sold, 3/15/72; Gross Sales Price, $260.99; Cost, $287.75; Gain or (Loss), ($26.76).

Number of Shares, 200; Security, Lectro Mgmt Inc.; Date Acquired, 1/13/72; Date Sold, 3/16/72; Gross Sales Price, $618.98; Cost, $601.25; Gain or (Loss), $17.73.

Number of Shares, 50; Security Comtech Indust. Inc.; Date Acquired, 3/17/72; Date Sold, 3/24/72; Gross Sales Price, $488.12; Cost, $250.00; Gain or (Loss), $238.12.

Number of Shares, 100; Security, Comtech Indust. Inc.; Date Acquired, 3/17/72; Date Sold, 3/24/72; Gross Sales Price, $965.75; Cost, $500.00; Gain or (Loss), $465.70.

Number of Shares, 200; Security, Diversified Indus.; Date Acquired, 3/15/72; Date Sold, 3/24/72; Gross Sales Price, $1,057.47; Cost, $1,289.75; Gain or (Loss), ($232.28).

Number of Shares, 500; Security, Gateway Sport'g Goods; Date Acquired, 3/24/72; Date Sold, 4/7/72; Gross Sales Price, $2,908.44; Cost, $2,676.00; Gain or (Loss), $232.44.

Number of Shares, 300; Security, Sonesta Int'l Hotel Corp.; Date Acquired 4/7/72; Date Sold, 4/13/72; Gross Sales Price, $3,181.82; Cost, $2,688.63; Gain or (Loss), $493.19.

Number of Shares, 300; Security, National Indust., Inc.; Date Acquired, 4/14/72; Date Sold, 8/22/72; Gross Sales Price, $1,667.65 Cost, $2,499.19; Gain or (Loss), ($831.54).

Total Gain $541.94.

COMPUTATION OF INVESTMENT CREDIT, 1972

Maurice R. and Rita Gravel.

Identifying number as shown on page 1 of your tax return, [redacted].

NEW PROPERTY

Line (a); (1) Life years, 3 or more but less than 5; (2) Cost or basis, $50.57; (3) Applicable percentage, 33⅓; (4) Qualified investment, $16.86.

Line (b); (1) Life years, 5 or more but less than 7; (2) Cost or basis, $97.50; (3) Applicable percentage, 66⅔; (4) Qualified investment, $64.99.

Line (c); (1) Life years, 7 or more; (2) Cost or basis, $3,139.11; (3) Applicable percentage, 100; (4) Qualified investment, $3,139.11.

USED PROPERTY

Line (d); (1) Life years, 3 or more but less than 5; (2) Cost or basis, $530.14; (3) Applicable percentage, 33⅓; (4) Qualified investment, $176.71.

Line (e); (1) Life years, 5 or more but less than 7; (2) Cost or basis; $224.25; (3) Applicable percentage, 66⅔; (4) Qualified investment, $149.50.

Line (f); (1) Life years, 7 or more; (2) Cost or basis, $403.00; (3) Applicable percentage, 100; (4) Qualified investment, $403.00.

2. Total qualified investment, $3,950.17.

3. Tentative investment credit, $276.51.

5. Total, $276.51.

LIMITATION

6. (a) Individuals, $7,581.24.

9. Line 6 less line 8, $7,581.24.

10. (a) Enter amount on line 9 or $25,000, whichever is lesser, $7,581.24.

11. Total, $7,581.24.

12. Investment credit, $276.51.

Heart-L-Ranch Company, Star Route, new, $50.57; used, $530.14; life years 3–5.

81–0306068, Twin Bridges, Mont. 59754, new, $97.50; used, $224.25; life years, 5–7.

Total, new, $3,139.11; used, $403.00; life years, 7-more.

MARYLAND TAX RETURN, 1973

First name and initial: Maurice R. Gravel, Rita Gravel.

Present Address: U.S. Senate, Washington, D.C.

Your [redacted] xxx-xx-xxxx

Spouse's [redacted] xxx-xx-xxxx

County: Prince George's.

City, Town, or Taxing Area: Tantallon.

Your occupation, present employer and address, U.S. Senator, U.S. Senate, Washington, D.C..

A. Your filing status: Married filing joint return or spouse had no income.

1. Did you establish or abandon legal residence in Maryland in 1973? No.

First names of dependent children: Martin Lynn.

1. Total Income, $52,389.

2. Additions, $834.

3. Total, $53,223.

4. Subtractions, $8,448.

5. Total Maryland Income, $44,775.

6. Exemptions—Enter total exemptions as itemized above, 4.

8. If you Elect to Use the Standard Deduction, Check here and Enter 10% of Line 5 not to exceed $500, $12,675.

9. Net Income, $32,100.

10. Number of Exemptions X $800, $3,200.

11. Taxable Net Income, $28,900.

12. Maryland Tax, $1,385.

13. Local Income Tax, $693.

14. Total Maryland and Local Income Tax, $2,078.

17. Credit for Income Tax Paid another State, $2,005.

$2,005.

19. Total Payments and Credits, $2,005.

20. Balance Due, $73.

SCHEDULE A—INCOME AND ADJUSTMENTS FROM FEDERAL RETURN

1. Wages, salaries, tips, etc., $42,500.

3. Interest, $138.

4. Business income, $11,262.

5. Sale or exchange of property, $7,448.

6. Pensions and annuities, rents and royalties, partnerships, estates or trusts, etc., $(3,988).

9. Total, $57,360.

10. Adjustments, $4,971.

11. Total income, $52,389.

SCHEDULE B—ITEMIZED DEDUCTIONS FROM FEDERAL RETURN WITH ADJUSTMENTS

1. Medical and dental expense, $79.

2. Taxes, $3,605.

3. Interest, $11,511.

4. Contributions, $80.

7. Total, $15,275.

8. Subtract State and local income taxes included on line 2, $2,600.

9. Total, $12,675.

11. Total Maryland deductions, $12,675.

MODIFICATIONS TO FEDERAL ADJUSTED GROSS INCOME

4. Current year distributions of subchapters prior year earnings 1973 losses, $834.

6. Total, $834.

SCHEDULE D—SUBTRACTIONS

4. Other (Specify) L. T. Cap. Gain Sale of Alaska Corp. Cap. Stock & Adjustment, $8,448.

5. Total, $8,448.

PENSION EXCLUSION COMPUTATION

2. Tentative exclusion, $2,100.00.

TAX CREDITS FOR INCOME TAXES PAID TO OTHER STATES AND MARYLAND PERSONAL PROPERTY TAXES, 1973

1. Taxable net income, $28,900.

2. Income taxable in other State, $36,127.

3. Revised taxable net income, ($7,227).

4. Tax on amount on line 3, 0.

CREDIT COMPUTATION

5. Maryland tax, $2,078.

6. Tentative tax credit, $2,078.

7. Tax paid to State of Alaska, $2,005.

8. Credit for income tax paid to other State, $2,005.

RESIDENT, ALASKA INDIVIDUAL INCOME TAX RETURN, 1973

First name and initial: Maurice R. & Rita Gravel.

Mailing address: U.S. Senate.

City, town or post office, state and ZIP code: Washington, D.C. 20510.

Your [redacted] xxx-xx-xxxx

Spouse's Social Security Number: xxx-xx-... xxx-...

Occupation: Yours, U.S. Senator, Spouse's Homemaker.

Was an Alaska return filed for 1972? Yes.

Is spouse member of Armed Forces? No.

FILING STATUS

2. Married filing joint return (even if only one had income).

EXEMPTIONS

6. Yourself.

7. Spouse.

8. First names of your dependent children who lived with you: Martin, Lynn.

11. Wages, salaries, C.O.L.A., tips, etc., $42,500.

13. Interest income, $138.

14. Income other than wages, dividends, and interest, $3,460.
15. Total, $46,098.
16. Adjustments to income, $4,971.
17. Adjusted gross income, $41,127.
18. Tax, $12,467.
20. Income tax, $12,467.
22. Total, $12,467.
23. Enter Alaska Income Tax, $1,995.
24. Enter your school tax, $10.
Total tax, $2,005.
30. If payments (line 29) are less than tax (line 25) enter balance due, $2,005.
Do you owe any Alaska tax for years before 1973? No.

ALASKA TAX RATE SCHEDULES

Maurice R. & Rita Gravel, [redacted]
[redacted]
U.S. Senate, Washington, D.C. 20510.
1. Enter your taxable income from DR 600 line 55, or from DR 600NR line 17f. 36,127.
3. Base amont of tax, $12,400.
4. Percent of excess amount:
a. Amont from line 1 above, $36,127.
b. Amount from column, $36,000.
c. Excess: 127. x 53% = 67.
5. Add lines 3 and 4. Enter the total, $12,467.

CLARK SHERWOOD & CO.,
TAX CONSULTANTS,
Wheaton, Md., February 4, 1974.

DEPARTMENT OF REVENUE,
Alaska Office Building, Pouch SA,
Juneau, Alaska.

Reference: Mike Gravel Real Estate Development, Inc., Box 2283, Anchorage, Alaska.

GENTLEMEN: Please accept the enclosed copy of Federal Small Business Corporation Income Tax Return, for Fiscal Year ending 9/30/73 in lieu of Alaska Form DR700, by the above referenced Corporation.

Yours very truly,
CLARK SHERWOOD & CO.,
(Mrs.) D. J. DUNNINGTON,
Accountant and Auditor.

U.S. SMALL BUSINESS CORPORATION INCOME TAX RETURN, 1972

Name, Mike Gravel Real Estate Development Inc., 406 G Street, Box 2283, Anchorage, Alaska.
County in which located, Greater Anchorage.
Enter total assets from line 14, column D, Schedule L, $30,226.82.
1. Gross receipts or gross sales, none.
11. Total income, lines 3 through 10, none.

DEDUCTIONS

21. Depreciation, $16.69.
26. Other deductions, bank charges, $10.80.
27. Total deductions, $27.49.
28. Taxable income, ($27.49).

TAX

31. Total tax, none.
33. Tax due, none.
34. Overpayment, none.

SCHEDULE G—DEPRECIATION

4. Machinery and other equipment, date acquired, 3/67; cost or other basis, $324.45; depreciation allowed or allowable in prior years, $157.55; method of computing depreciation, DB; life or rate, 10; depreciation for this year, $16.69.
5. Totals, $16.69.
6. Less amount of depreciation claimed in schedule A, 0.
7. Balance, $16.69.

SCHEDULE H—SUMMARY OF DEPRECIATION

3. Other, declining balance, $16.69; total, $16.69.

SCHEDULE J—TAX COMPUTATION

2. (b) Subtract $6,500 and enter difference, $6,500.00.
4. Subtract $25,000, statutory minimum, $25,000.00.

SCHEDULE K—COMPUTATION OF UNDISTRIBUTED TAXABLE INCOME AND SUMMARY OF TOTAL DISTRIBUTIONS

1. Taxable income, ($27.49).
3. Corporation's undistributed taxable income, ($27.49).

SUMMARY OF DISTRIBUTIONS AND OTHER ITEMS

Name and address of each shareholder, number of shares, period held, compensation

A. Maurice R. Gravel, 4,000; 9/19/66, present; None.
B. Rita J. Gravel, 6,000; 9/19/66, present; none.
8. Undistributed taxable income—taxable as ordinary income or (loss), ($27.49).

SCHEDULE K–1

F. Date incorporated, 9/19/66.
G. Did the corporation at the end of the taxable year own, directly or indirectly, 50 percent or more of the voting stock of a domestic corporation? No.
H. Did the corporation during the taxable year have any contracts or subcontracts subject to the Renegotiation Act of 1951? No.
I. Amount of taxable income or (loss) for: 1969 ($2,412.00); 1970, ($110.41); 1971, ($431.-91).
J. Refer to page 7 of instructions and state the principal: business activity, Real Estate; product of service, Consulting & Developing.
K. Were you a member of a controlled group subject to the provisions of sections 1561 or 1562? No.
L. Did you claim a deduction for expenses connected with any:
(1) Entertainment facility (boat, resort, ranch, etc.)? No.
(2) Living accommodations (except employees on business)? No.
(3) Employees' families at conventions or meetings? No.
(4) Employee or family vacations not reported on Form W–2? No.
N. Did the corporation, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? No.

SCHEDULE L—BALANCE SHEETS

Assets, beginning of taxable year, end of taxable year

1. Cash, total, $188.33, $177.53.
6. Loans to shareholders, total, $29,899.08, $29,899.08.
9. Buildings and other fixed depreciable assets, amount, $324.45, $324.45.
(a) Less accumulated depreciation, amount, $157.55; total, $166.08; amount $174.24; total, $150.21.
14. Total assets, $30,254.31, $30,226.82.

Liabilities and shareholders' equity

15. Accounts payable, total, $28,419.31, $28,-419.85.
22. Paid-in or capital surplus, total, $1,-834.46, $1,806.97.
27. Total liabilities and shareholders' equity, $30,254.31, $30,226.82.

SCHEDULE M–1

1. Net income per books, ($27.49).
6. Total of lines 1 through 5, ($27.49).

SCHEDULE M–2

1. Balance at beginning of year, 0.
2. Net income per books, ($27.49).
4. Total of lines 1, 2, and 3, ($27.49).

SHAREHOLDERS SHARE OF UNDISTRIBUTED TAXABLE INCOME, ITEM OF TAX PREFERENCE, AND INTEREST ON INVESTMENT INDEBTEDNESS—1972

For the calendar year 1972, or other taxable year beginning 10/1, 1972, ending 9/30, 1973.
Income, $11.00.
Shareholder's name, identifying number, and address: Maurice R. Gravel [redacted]
Corporation's name, identifying number, and address: Mike Gravel Real Estate Development, Inc., 406 G Street, Box 2283, Anchorage, Alaska 99501, 92–0033655.
For the calendar year 1972, or other taxable year beginning 10/1, 1972, ending 9/30, 1973.
Income, $16.49.
Shareholder's name, identifying number, and address: Rita J. Gravel, [redacted]
Corporation's name, identifying number, and address: Mike Gravel Real Estate Development, Inc., 406 G Street, Box 2282, Anchorage, Alaska 99501, 92–0033655.

CONFIDENTIAL STATEMENT OF FINANCIAL INTERESTS

(In compliance with Senate rule 44)

(For Use by Senators, Candidates for Senator, and Officers or Employees Whose Salary is Paid by the U.S. Senate at a Rate in Excess of $15,000 a Year.)
Name: Gravel, Mike R.
Calendar year of information: 1969.
Address: Suite 1251, New Senate Office Bldg.

3. BUSINESS CONNECTIONS

List all business or professional corporations, companies, firms or other enterprises, partnerships and organizations with which you were connected as an officer, director, partner, proprietor, or employee, and from which you received compensation during the preceding calendar year. If none, write None.
Name of organization: Mike Gravel Real Estate Development, Inc.
Address of organization: Box 2283, Anchorage, Alaska 99501.
Your capacity: President and principal stockholder.
Amount of compensation: None.

4. INTERESTS IN PROPERTY

List each interest having a value of $10,000 or more which you held in real or personal property at any time during the preceding calendar year. Do not list beneficial interests in trusts or other fiduciary relations. If none, write None.

Nature of interest, type of property, and location

Owner, Alaskan Residence, 468 Aurora Drive, Anchorage, Alaska 99503. (sold January 1969).
Owner, Residential lots, Tantallon, Md.
Mike Gravel Real Estate Development, Inc., equity interest in family corporation, Anchorage, Alaska.

6. LIABILITIES

List each liability, including debts, loans, or other obligations, of $5,000 or more owed by you, or by you and your spouse jointly, at any time during the preceding calendar year. List each liability you share with another person, including comakers, endorsers, or sureties, if your share amounted to $5,000 or more. If none, write None.

Name of creditor, address of creditor, and type of liability

Prestwick, Tantallon, Md., unpaid seller's mortgage.
J. B. Gottstein, Anchorage, Alaska, personal promissory note.
American Security Bank & Trust Co., Washington, D.C., promissory note.
Tessie Zimmerman, Washington, D.C., promissory note.

1969 STATEMENT OF CONTRIBUTIONS AND HONORARIUMS

(In compliance with Senate rules 42 and 44)

(For Use by Senators, Candidates for Senator, and Officers or Employees Whose Salary is Paid by the U.S. Senate at a Rate in Excess of $15,000 a Year.)
Name: Gravel, Mike.
Calendar year of information: 1969.
Senate office or committee: United States Senator.

1. RECEIPT OF CONTRIBUTIONS

(For Use by Senators and Candidates for Senator)

List all contributions received by you during the preceding calendar year. Contributions in the aggregate amount or value of less than $50 received from any single source during the preceding calendar year may be totaled without further itemization. A contribution from a political party may be listed as a single contribution from the party. If none, write None.

Date, name of contributor, address of contributor, and amount or value

3–8–69, Stanley M. Reitman, 360 "K" Street, Anchorage, Alaska, $500.00.

5–19–69, L. E. Fitzjarrald, 2026 Dewey Ave., Bartlesville, Okla., $400.00.

9–16–69, Larry Carr, 840–10th Anchorage, Alaska, $1,500.00.

2. DISPOSITION OF CONTRIBUTIONS

(For Use by Senators and Candidates for Senator)

List all dispositions made by you during the preceding calendar year of contributions received by you and subject to Senate Rule 42. If none, write None.

Date, name of payee, address of payee, purpose, and amount

5–19–69, Senate Recording Studio, U.S. Senate, Communications, $127.85.

5–19–69, Mac Foto Service, 217 E. 4th Anchorage, Alaska, Communications, $40.50.

8–10–69, Senate Recording Studio, U.S. Senate, Communications, $289.50.

11–7–69, Senate Recording Studio, U.S. Senate, Communications, $59.45.

11–5–69, Kier Photos, 1627 E. 40th St., Ceveland, Ohio, Communications, $60.35.

———, Riggs National Bank, Washington, D.C., check printing, $9.22.

3–24–69, Jessen's Daily, Fairbanks, Alaska, Subscriptions, $32.70.

3–24–69, Ketchikan Daily News, Ketchikan, Alaska, Subscriptions, $24.00.

3–24–69, The Alaska Empire, Juneau, Alaska, Subscriptions, $32.00.

3–24–69, Petersburg Press, Petersburg, Alaska, Subscriptions, $6.00.

5–19–69, Anchorage Daily Times, Anchorage, Alaska, Subscriptions, $46.20.

5–19–69, Salt Lake Tribune, Salt Lake City, Utah, Subscriptions, $2.50.

8–10–69, Wrangell Sentinel, Wrangell, Alaska, Subscriptions, $6.00.

8–10–69, Sitka Daily Sentinel, Sitka, Alaska, Subscriptions, $30.00.

8–10–69, Pet. Press Service, Anchorage, Alaska, Subscriptions, $15.50.

8–10–69, Miner Pub. Company, Fairbanks, Ak., Subscriptions, $2.65.

8–10–69, Kodiak Daily Mirror, Kodiak, Ak., Subscriptions, $36.00.

8–10–69, Cheechaka News, Cheechaka, Ak., Subscriptions, $15.00.

12–17–69, Anchorage Daily Times, Anchorage, Ak., Subscriptions, $130.00.

11–7–69, Western Union, Washington, D.C., Telegrams, $17.45.

3–24–69, Northwest Airlines, Washington, D.C., Travel to State, $400.00.

6–27–69, L. E. Fitzjarrald, Bartlesville, Okla., Travel, $20.00.

8–10–69, Sherwood Inn, Travel to State, $9.56.

8–10–69, Travelers Inn, Fairbanks, Ak., Travel to State, $17.85.

10–2–69, Cash- Senator Mike Gravel, U.S. Senate, Travel expenses in Alaska, $100.00.

11–7–69, Hotel Mary Frances, Ketchikan, Ak., Travel to State, $17.83.

11–7–69, Hilton Inn, Seattle, Wash., Travel to State, $18.15.

12–5–69, Alaska Airline, Seatac Airport, Seattle, Wash., Travel to State, $56.70.

12–5–69, Baronoff Hotel, Juneau, Ak., Travel to State, $37.08.

12–5–69, Hilton Inn, Seattle Wash., Travel to State, $18.15.

12–5–69, Mary Frances Hotel, Ketchikan, Ak., Travel to, State, $17.83.

3. HONORARIUMS

List each honorarium of $300 or more received by you during the preceding calendar year. Do not list reimbursements to expenses. If none, write None.

Date, payer, description of service, and amount or value

9–12–69, Federal Paper Board Company, Speech Executive Conference, $1,000.00.

12–5–69, State of California, University Speech, $500.00.

11–7–69, Educom, Speech, $500.00.

12–8–69, California Teachers Association, Speech, $1,000.00.

7–24–69, 1969 Democratic Convention—Alaska, Speech, $500.00.

11–8–69, Springfield Adult Edu. Association, Speech, $750.00.

1970 CONFIDENTIAL STATEMENT OF FINANCIAL INTERESTS

(In compliance with Senate rule 44)

(For Use by Senators, Candidates for Senator, and Officers or Employees Whose Salary is Paid by the U.S. Senate at a Rate in Excess of $15,000 a Year.)

Name: Gravel, Mike R.

Calendar year of information: 1970.

Address: Suite 1251, New Senate Office Building.

3. BUSINESS CONNECTIONS

List all business or professional corporations, companies, firms or other enterprises, partnerships and organizations with which you were connected as an officer, director, partner, proprietor, or employee, and from which you received compensation during the preceding calendar year. If none, white None.

Name of organization: Mike Gravel Real Estate Development, Inc.

Address of organization: Box 2283, Anchorage, Alaska 99501.

Your capacity: President & Principal Stockholder.

Amount of compensation: None.

4. INTERESTS IN PROPERTY

List each interest having a value of $10,000 or more which you held in real or personal property at any time during the preceding calendar year. Do not list beneficial interests in trusts or other fiduciary relations. If none, write None.

Nature of interest, type of property, and location

Owner, Residential lots, Tantallon, Maryland.

Owner, Stock Shares, Heart L Ranch Company.

Corporate Officer and Stockholder, Equity Interest in Family Corporation, Mike Gravel Real Estate, Development, Inc., Anchorage, Alaska

6. LIABILITIES

List each liabiilty, including debts, loans, or other obligations, of $5,000 or more owed by you, or by you and your spouse jointly, at any time during the preceding calendar year. List each liability you shared with another person, including comakers, endorsers, or sureties, if your share amounted to $5,000 or more. If none, write none.

Name or creditor, address of creditor, and type of liability

Prestwick Corporation and W. Heinke, Tantallon, Maryland, unpaid mortgage.

S. Reitman and B. Gottstein, Anchorage, Alaska, personal promissory notes.

American Security and Trust Co., Washington, D.C., promissory note.

Virginia National Bank, Arlington, Virginia, promissory note.

Security Bank, National Association, Washington, D.C., promissory note.

1970 STATEMENT OF CONTRIBUTIONS AND HONORARIUMS

(In compliance with Senate rules 42 and 44)

(For Use by Senators, Candidates for Senator, and Officers or Employees Whose Salary is Paid by the U.S. Senate at a Rate in Excess of $15,000 a Year.)

Name: Gravel, Mike.

Calendar year of information: 1970.

Senate office or committee: Suite 1251, New Senate Office Building.

1. RECEIPT OF CONTRIBUTIONS

(For Use by Senators and Candidates for Senator)

List all contributions received by you during the preceding calendar year. Contributions in the aggregate amount or value of less than $50 received from any single source during the preceding calendar year may be totaled without further itemization. A contribution from a political party may be listed as a single contribution from the party. If none, write None.

Date: 8/7/70.

Name of contributor: Alaskans for Gravel.

Address of contributor: P.O. Box 2443, Anchorage.

Amount or value: $1,500.00.

2. DISPOSITION OF CONTRIBUTIONS

(For Use by Senators and Candidates for Senator)

List all dispositions made by you during the preceding calendar year of contributions received by you and subject to Senate Rule 42. If none, write None.

Date, name of payee, address of payee, purpose, and amount

I. Communications:

1–18–70, Sen. Recording Studio, Washington, D.C., radio and T.V. tapes, $71.97.

7–3–70, Emery Air Freight, Washington, D.C., $12.70.

7–3–70, Fidelity Sound, Washington, D.C., equipment loan, $30.00.

7–3–70, Democratic Sen. Campaign Comm., Washington, D.C., photographs, $6.15.

7–3–70, Democratic Sen. Campaign Comm., Washington, D.C., photographs, $5.85.

II. Subscriptions:

1–17–70, Washington Press, Washington, D.C., newsletter, $22.15.

7–3–70, Jefferson Press, Washington, D.C., newsletter, $34.00.

10–7–70, "Committee of 1001", Alaska, contribution, $20.00.

10–13–70, Dianna Waddell, Anchorage, member of Anchorage staff, $3.00.

10–13–70, R. L. Polk and Co., Washington, D.C., City Directories, $131.70.

10–13–70, Anchorage Time, Anchorage, subscription, $46.20.

10–13–70, Tundra Times, Fairbanks, Ak., subscription, $19.00.

III. Telephone and telegraph:

12–19–70, City of Anchorage, Anchorage, tele. & teleg., $100.00.

IV. Travel:

1–18–70, Fairmont Hotel, San Francisco, trip expense, $707.56.

1–18–70, Anchorage Westward, Anchorage, trip expense, $3.40.

7–3–70, Anchorage Westward, Anchorage, trip expenses, $16.15.

7–3–70, Frontier Hotel, Fairbanks, trip expenses, $23.32.

7–3–70, Martin Wolf, Washington, trip reimbursement, $95.40.

7–3–70, St. Francis Hotel, San Francisco, trip expenses, $358.47.

7–3–70, Travelers Inn, Fairbanks, trip expenses, $16.13.

7–3–70, Washington Plaza, Seattle, trip expenses, $41.19.

10–13–70, Anchorage Westward, Anchorage, trip expenses, $190.41.
10–13–70, Baranof Hotel, Juneau, trip expenses, $113.87.
10–13–70, Fairbanks Inn, Fairbanks, trip expenses, $22.05.
10–13–70, Potlatch House, Sitka, trip expenses, $20.80.
10–13–70, Tides Inn, Petersburg, trip expenses, $15.88.
11–25–70, Dr. Douglas Jones, Washington, DC, travel expenses, $198.00.
12–19–70, Potlatch House, Sitka, trip expenses, $18.72.
V. Miscellaneous:
10–13–70, Litho Lab, Washington, newsletter, $337.70.
11–27–70, Berniece Oertel, Washington, reception cost, $40.00.
12–12–70, Annette Lantos, Washington, reception cost, $6.50.
11–17–70, Larimers, Inc., Washington, reception cost, $77.19.
11–17–70, Larimers, Inc., Washington, reception cost, $77.17.

3. HONORARIUMS

List each honorarium of $300 or more received by you during the preceding calendar year. Do not list reimbursements of expenses. If none, write none.

Date, payer, description of service and amount or value

4–6–70, American International College, Speech, $500.00.
5–17–70, John Hopkins University, Speech, $500.00.
5–15–70, KPOL, Los Angeles, Speaking Engagement, $1,000.00.
5–1–70, Southeastern Massachusetts University, Speech, $700.00.
11–9–70, Asso. of American State Highway Officials, Speaker & Panelist, $870.00.

1971 CONFIDENTIAL STATEMENT OF FINANCIAL INTERESTS

(In compliance with Senate rule 44)

(For Use by Senators, Candidates for Senator, and Officers or Employees Whose Salary is Paid by the U.S. Senate at a Rate in Excess of $15,000 a Year.)

Name: Gravel, Mike R.
Calendar year of information: 1971.
Address: Suite No. 1251, New Senate Office Building, Washington, D.C. 20510.

3. BUSINESS CONNECTIONS

List all business or professional corporations, companies, firms or other enterprises, partnerships and organizations with which you were connected as an officer, director, partner, proprietor, or employee, and from which you received compensation during the preceding calendar year. If none, write None.

Name of organization: Mike Gravel Real Estate Development, Inc.
Address of organization: Box 2283, Anchorage, Alaska 99501.
Your capacity: President & Princ. Stockholder.
Amount of compensation: None.

4. INTERESTS IN PROPERTY

List each interest having a value of $10,000 or more which you held in real or personal property at any time during the preceding calendar year. Do not list beneficial interests in trusts or other fiduciary relations. If none, write None.

Nature of interest, type of property, and location

Owner, Residential Lots, Tantallon, Maryland.
Owner, Stock Shares, Heart L Ranch Company.
Corporate Officer and Stockholder, Equity Interest in Family Corporation, Mike Gravel Real Estate Development, Inc., Anchorage, Alaska 99501.

6. LIABILITIES

List each liability, including debts, loans, or other obligations, of $5,000 or more owed by you, or by you and your spouse jointly, at any time during the preceding calendar year. List each liability you shared with another person, including comakers, or sureties, if your share amounted to $5,000 or more. If none, write None.

Names of creditor, address of creditor, and type of liability

Prestwick Corporation and W. Henke, Tantallon, Maryland, Unpaid Mortgage.
S. Reitman and B. Gottstein, Anchorage Alaska, Personal Promissory Notes.

1971 STATEMENT OF CONTRIBUTIONS AND HONORARIUMS

(In Compliance with Senate rules 42 and 44)

(For Use by Senators, Candidates for Senator, and Officers or Employees Whose Salary is Paid by the U.S. Senate at a Rate in Excess of $15,000 a Year.)

Name: Gravel, Mike.
Calendar year of information: 1971.
Senate office or committee: United States Senator.

1. RECEIPT OF CONTRIBUTIONS

(For Use by Senators and Candidates for Senator)

List all contributions received by you during the preceding calendar year. Contributions in the aggregate amount or value of less than $50 received from any single source during the preceding calendar year may be totaled without further itemization. A contribution from a political party may be listed as a single contribution from the party. If none, write None.

Date, name of contributor, address of contributor, and amount or value

2–3–71, Alaskans for Gravel, Anchorage, Alaska, $1,000.00.
4–19–71, Alaskans for Gravel, Anchorage, Alaska, $1,200.00.
11–15–71, Alaskans for Gravel, Anchorage, Alaska, $2,500.00.

2. DISPOSITION OF CONTRIBUTIONS

(For use by Senators and Candidates for Senator)

List all dispositions made by you during the preceding calendar year of contributions received by you and subject to Senate Rule 42. If none, write none.

Date, name of payee, address of payee, purpose, and amount

1–23–71, Alaska State Society, Washington, D.C., dues, $5.00.
2–3–71, Demo. Natl. Comm., Washington, D.C., dues, $25.00.
3–19–71, Alaska State Society, Washington, D.C., annual state society dinner, $20.00.
2–3–71, Demo. Senatorial Comm., Washington, D.C., communications, $22.65.
2–3–71, Kier Photo Serv., Cleveland, Ohio, communications, $34.46.
2–3–71, Senate Recording Studio, Washington, D.C., communications, $248.75.
2–3–71, Loomis Ans. Serv., Anchorage, Alaska, communications, $97.50.
5–17–71, Senate Recording Studio, Washington, D.C., communications, $427.50.
5–17–71, Demo. Senatorial Comm., Washington, D.C., communications, $21.75.
5–17–71, Kier Photo Serv., Cleveland, Ohio, communications, $33.75.
8–6–71, Senate Recording Studio, Washington, D.C., communications, $37.00.
8–6–71, Democratic Senatorial Comm., Washington, D.C., communications, $22.00.
8–6–71, NOE Photographers, Washington, D.C., communications, $38.85.
11–23–71, Democratic Senatorial Comm., Washington, D.C., communications, $15.25.
11–23–71, Kier Photo Serv., Cleveland, Ohio, communications, $77.97.
11–23–71, Senate Recording Studio, Washington, D.C., Communications, $120.80.
12–14–71, Dev O'Neill, Washington, D.C., Communications, $75.00.
11–23–71, Polar Reproduction, Anchorage, Alaska, Printing, $37.05.
2–3–71, Pacesetters International, Anchorage, Alaska, Printing, $88.75.
2–3–71, Fairbanks Daily, Fairbanks, Alaska, Subscription, $35.00.
2–3–71, Sitka Daily Sentinel, Sitka, Alaska, Subscription, $30.00.
5–17–71, Petroleum Press, London, England, Subscription, $20.00.
5–17–71, Anchorage Daily Times, Anchorage, Alaska, Subscription, $20.00.
8–6–71, Ann's Newsstand, Washington, D.C., Subscription, $23.90.
Anchorage Daily Times, Anchorage, Alaska, Subscription, $20.00.
11–23–71, Anchorage Daily, Anchorage, Alaska, Year's Subscription, $91.50.
11–23–71, Island Times, Kodiak, Alaska, Subscription, $15.00.
11–23–71, Petersburg Press, Petersburg, Alaska, Subscription, $20.00.
11–23–71, Sitka Daily Sentinel, Sitka, Alaska, Subscription, $30.00.
11–23–71, Washington Post Inc., Washington, D.C., Printing, $5.20.
2–3–71, Anchorage Westward Htl., Anchorage, Alaska, Travel to State, $115.65.
2–3–71, Baranof Hotel, Juneau, Alaska, Travel to State, $7.37.
2–11–71, American Airlines, Hyde Park, New York, Travel to State, $1,028.01.
2–11–71, Hotel Belair, Los Angeles, California, Travel, $151.93.
2–11–71, Century Plaza, Los Angeles, California, Travel, $117.48.
2–11–71, United Airlines, New York, N.Y., Travel , $309.50.
3–2–71, Newporter Inn., Newport Beach, California, Travel, $181.90
5–17–71, Anchorage Westward Htl., Anchorage, Alaska, Travel to State, $172.75.
5–17–71, Baranof Hotel, Juneau, Alaska, Travel to State, $3.33.
5–17–71, Fairbanks Inn, Fairbanks, Alaska, Travel to State, $23.63.
5–17–71, Hilton, Inn., Seattle, Wash., Travel to State, $17.35.
5–18–71, Fireside Lounge, Ketchikan, Alaska., Travel to State, $61.00.
7–27–71, Alaska Airlines, Anchorage, Alaska, Travel to State, $869.97.
11–23–71, Anchorage Westward Htl., Anchorage, Alaska, Travel to State, $137.78.
11–23–71, The Baranof Hotel, Juneau, Alaska, Travel to State, $78.71.
11–23–71, Golden Nugget, Fairbanks, Alaska, Travel to State, $256.15.
1–23–71, House of Representatives Restaurant, Washington, D.C., Constituent meetings, $299.50.
2–3–71, Congressional Liquors, Washington, D.C., Constituent meetings, $62.98.
2–3–71, K. Ferguson (reimbursement), Washington, D.C., Constituent meetings, $23.65.
5–7–71, Anchorage Flower Shop, Anchorage, Alaska, Constituent, $20.00.

3. HONORARIUMS

List each honorarium of $300 or more received by you during the preceding calendar year. Do not list reimbursements of expenses. If none, write none.

Date, payer, description of service, and amount or value

1–6–71, Union Trades Council (AFL/CIO), Speech, $1,000.00.
2–1–71, University of California at Los Angeles, Speech, $500.00.
2–27–71, National Society of Engineers, Speech, $750.00.
4–1–71, United Jewish Appeal of Greater Washington, Speech, $500.00.
4–12–71, Student Body Chandler School, Boston, Mass., Speech, $1,000.00.
4–12–71, State of Nebraska, Speech, $750.00.
5–11–71, University of Illinois, Speech, $750.00.
5–12–71, National Fisheries Institute, Speech, $1,000.00.
5–12–71, Allied Education Fund, Speech, $1,500.00.

6–1–71, Western New England College, Speech, $1,000.00.
6–7–71, National Committee for Labor Israel, Inc., Speech, $500.00.
6–7–71, College of Our Lady of the Elms, Speech, $1,000.00.
6–10–71, Unitarian Universalist Association, Speech, $500.00.
7–26–71, Wisconsin State Univ., Speech, $500.00.
8–6–71, University of So. Florida, Speech, $1,050.00.
10–14–71, Democratic Women of Bexar County, Texas, Speech, $450.00.
10–18–71, Louisiana Tech, Speech, $900.00.
11–2–71, United Jewish Appeal, Speech, $1,000.00.
11–11–71, Racz Research Group, Speech, $300.00.
11–11–71, American Jewish Committee, Speech, $500.00.
11–15–71, Cercle DesDames Francaises, Speech, $300.00.
11–15–71, Providence College, Speech, $300.00.
11–19–71, Worchester Academy, Speech, $950.00.
11–19–71, Paperboard Packaging Council, Speech, $1,500.00.
11–22–71, Princeton University, Speech, $1,000.00.
12–3–71, Democratic Executive Committee, Speech, $900.00.
12–14–71, New Jersey SANE, Montclair, New Jersey, Speech, $400.00.

1972 CONFIDENTIAL STATEMENT OF FINANCIAL INTERESTS

(In compliance with Senate rule 44)

(For Use by Senators, Candidates for Senator, and Officers or Employees Whose Salary is Paid by the U.S. Senate at a Rate in Excess of $15,000 a Year.)

Name: Gravel, Mike R.
Calendar year of information: 1972.
Senate office or committee: Alaska.
Address: Suite 1251, New Senate Office Bldg., Washington, D.C. 20510.

3. BUSINESS CONNECTIONS

List all business or professional corporations, companies, firms or other enterprises, partnerships and organizations with which you were connected as an officer, director, partner, proprietor, or employee, and from which you received compensation during the preceding calendar year. If none, write None.

Name of organization: Mike Gravel Real Estate Development, Inc.
Address of organization: Box 2283, Anchorage, Alaska 99501.
Your capacity: Pres. & Princ. Stockholder.
Amount of compensation: None.

4. INTERESTS IN PROPERTY

List each interest having a value of $10,000 or more which you held in real or personal property at any time during the preceding calendar year. Do not list beneficial interests in trusts or other fiduciary relations. If none, write None.

Nature of interest, type of property, and location

Owner, Residential Lots, Tantallon, Maryland.
Owner, Stock Shares, Heart L Ranch Company.
Stockholder, Equity Interest in Family Corporation, Mike Gravel Real Estate Development, Inc., Anchorage, Alaska.
Owner, Condominium Apartment, Anchorage, Alaska.

6. LIABILITIES

List each liability, including debts, loans, or other obligations, of $5,000 or more owed by you, or by you and your spouse jointly, at any time during the preceding calendar year. List each liability you shared with another person, including comakers, endorsers, or sureties, if your share amounted to $5,000 or more. If none, write None.

Name of creditor, address of creditor, and type of liability.
United Bank & Trust Company, Oxon Hill, Md., Trusts on Residential Lots.
S. Reitman & B. Gottstein, Anchorage, Alaska, Personal Promissory Notes.
American Security & Tr. Co., Washington, D.C.
National Commercial Bank & Washington Trust Co., N.Y.C., N.Y., Personal Loans.
Alaska Mutual Savings Bank, Anchorage, Alaska, Mortgage on Condominium Apartment.

1972 STATEMENT OF CONTRIBUTIONS AND HONORARIUMS

(In compliance with Senate rules 42 and 44)

(For Use by Senators, Candidates for Senator, and Officers or Employees Whose Salary is Paid by the U.S. Senate at a Rate in Excess of $15,000 a Year.)

Name: Gravel, Mike R.
Senate office or committee: Alaska.
Calendar year of informaton: 1972.

3. HONORARIUMS

List each honorarium of $300 or more received by you during the preceding calendar year. Do not list reimbursements of expenses. If none, write None.

Date: 1–1–72 thru 12–31–72.
Payer: Schedule Attached.
Description of service: Speeches.
Amount or value: $23,861.12.

SENATOR MIKE GRAVEL, SCHEDULE OF HONORARIUMS RECEIVED DURING YEAR OF 1972

Place, organization, amount, and date

Phila. speech, Development Corp. for Israel, $750.00, 12–4–71.
Phila. speech, Development Corp. for Israel, $750.00, 1–23–72.
Essex Co. speech* N. J. Development Corp. for Israel, $750.00, 4–13–72.
Los Angeles, speech, National Committee for Labor, Israel, Inc., $1,000.00, 11–28–71.
Montreal speech, Gordon Securities, Ltd., $500.00, 1–10–72.
Raleigh speech, North Carolina Univ., $750.00, 2–10–72.
New York City, Calvin Bulloch, Ltd., $250.00, 2–7–72.
Atlantic City, N.J. Assoc. for Children with Learning Disabilities, $1,000.00, 2–3–72.
Wash., D.C., Jacobi Society of Washington, $500.00, 2–17–72.
Spokane, Wash., Harry Walker Inc.—Gonzaga U., $700.00, 1–28–72.
Toronto Hadassah Wizo Org. of Canada, $1,000.00, 1–9–72.
Westchester, N.Y., Center for Constitutional Rights, $1,200.00, 3–5–72.
Albany, N.Y., Amer. Program Bureau—Sienna College, $1,000.00, 3–4–72.
Trenton, N.J., Rider College, $500.00, 4–13–72.
Denver, Colo., First Unitarian Society of Denver, $175.00, 3–18–72.
New York City, Philips, Appel & Walden, $500.00, 4–11–73.
Vancouver, B.C., United Jewish Appeal, $1,275,00, 4–10–72.
Wash., D.C., Institute Investors Systems, $500.00, 5–2–72.
Boston, Chandler School Corp., $1,400.00, 5–14–72.
Geneva, N.Y., Hobart College, $1,000.00, 5–18–72.
Geneva, N.Y., William Smith College, $500.00, 5–18–72.
Houston, Texas, Humble Oil Company, $2,-500.00, 6–6–72.
New York City, Yeshiva University, $500.00, 6–7–72.
New York City, United Church of Christ, $75.00, 5–72.
Springfield, Mass., Assumption College, $200.00, 9–30–72.
Chicago, Third Unitarian Church, $400.00, 10–1–72.
Santa Clara, Calif., Santa Clara Valley Democratic Coalition, $400.00, 9–15–72.
Plattsburg, N.Y., Program Corp of America—State Univ. at Plattsburg, $1,000.00, 9–22–72.
Garden City, N.Y., Program Corp of America—Adelphi University, $1,000.00, 9–25–72.
New York City, Operation Crossroads Africa, $150.00, 10–16–72.
Juniata, Pa., Program Corp of America—Juniata College, $1,000.00, 10–23–72.
Los Angeles, Wolper Organization (television royalties), $136.12, 11–9–72.
Wilmington, N.C., Young Democratic Clubs of North Carolina, $500.00, 9–23–72.

* Unless otherwise designated, all of these honorariums are for speeches.

Development Corp for Israel, $2,250.00.
Natl. Committee for Israel Labor, $1,000.00
Gordon Securities Ltd., $550.00.
N.C. State Univ., $750.00.
Calvin Bullock, Ltd., $250.00.
New Jersey Assoc. for Disabled, $1,000.00.
Jewish Society of Washington, $500.00.
Harry Walker Inc., $700.00.
Hadassah Wizo Org. of Canada, $1,000.00.
Center for Constitutional Rights, $1,200.00.
American Program Bureau, $1,000.00.
Rider College, $500.00.
First Unitarian Soc. of Denver, $175.00.
Philpis, Appel & Walden, $500.00.
United Jewish Appeal, $1,275.00.
Institute Investors Systems, $500.00.
Chandler School Corporation, $1,400.00.
Hobart College, $1,000.00.
William Smith College, $500.00.
Humble Oil Co., $2,500.00.
Yeshiva University, $500.00.
United Church of Christ, $575.00.
Assumption College, $200.00.
Third Unitarian Church of Chicago, $400.00.
Santa Clara Valley Democratic Coalition, $400.00.
Program Corp. of Am. Inc., $2,000.00.
Operation Crossroads, $150.00.
Juniata College, $1,000.00.
World Organizer, Inc., $136.12.
Less w/h, $31.05.
Balance, $105.07.
Total, $23,725.00.

1973 CONFIDENTIAL STATEMENT OF FINANCIAL INTERESTS

(In compliance with Senate rule 44)

(For Use by Senators, Candidates for Senator, and Officers or Employees Whose Salary is Paid by the U.S. Senate at a Rate in Excess of $15,000 a Year.)

Name: Gravel, Mike.
Calendar year of information: 1973.
Senate office or committee: Alaska.

3. BUSINESS CONNECTIONS

List all business or professional corporations, companies, firms or other enterprises, partnerships and organizations with which you were connected as an officer, director, partner, proprietor, or employee, and from which you received compensation during the preceding calendar year. If none, write None.

Name of organization: Mike Gravel Real Estate Development, Inc.
Address of organization: Anchorage, Alaska.
Your capacity: President and Stockholder.
Amount of compensation. None.

4. INTERESTS IN PROPERTY

List each interest having a value of $10,000 or more which you held in real or personal property at any time during the preceding calendar year. Do not list beneficial interests in trusts or other fiduciary relations. If none, write None.

Nature of interest, type of property, and location

Owner, Residential Lots, Tantallon, Maryland.

Owner, Alaska Residence, Anchorage, Alaska.

Corporate Officer and Stockholder, Equity interest in Family Corporation, Mike Gravel Real Estate Development, Inc., Anchorage, Alaska.

6. LIABILITIES

List each liability, including debts, loans, or other obligations, of $5,000 or more owed by you, or by you and your spouse jointly, at any time during the preceding calendar year. List each liability you shared with another person, including comakers, endorsers, or sureties, if your share amounted to $5,000 or more. If none, write None.

Name of creditor, address of creditor, and type of liability

Nat'l Commerc. Bk. & Tr. Co., Albany, New York, Promissory Note.

Washington Trust Co., Westerly, Rhode Island, Promissory Note.

Nat'l Bank of North America, New York City, New York, Promissory Note.

United Bank & Trust Co., Oxon Hill, Maryland, Promissory Note & 2nd Tr.

Stan Reitman, Anchorage, Alaska, Personal Promissory Note.

Barney Gottstein, Anchorage, Alaska, Personal Promissory Note.

Government Services Savings & Loan, Bethesda, Maryland, Unpaid Mortgage.

Alaska Mutual Savings Bank, Anchorage, Alaska, Unpaid Mortgage.

CONFIDENTIAL STATEMENT OF FINANCIAL INTERESTS

For use by a Senator, a candidate for Senator, and an officer or employee whose salary is paid by the U.S. Senate at a rate in excess of $15,000 a year.

This form is promulgated by the Select Committee on Standards and Conduct of the U.S. Senate for the convenience of persons who are required to file a confidential report of financial interests in accordance with Rule 44 of the Standing Rules of the Senate. Use of this form is recommended but not mandatory.

Submit the completed statement between January 1 and May 14 of each year with the Comptroller General of the United States, in a sealed inner envelope marked "Confidential Personal Financial Disclosure of (*name, title and office*)."

This sealed envelope should be placed inside a mailing envelope which shows the name and address of the person filing the statement.

The mailing envelope may be delivered by one of the following means:

(1) by hand, to the General Accounting Office staff, Room HB–6, U.S. Capitol; or

(2) by registered mail or messenger, to the Comptroller General of the United States, Room No. 7510, 441 G Street, NW., Washington, D.C. 20548. Attention: Chief, Legal Reference Services.

A receipt will be given or sent to you for all statements received by the Comptroller General.

Use additional sheets if the space on this form is insufficient.

If your trustee or other fiduciary must file information under section 1(e) of Rule 44, it is suggested that he follow the format of part 5 of this form and that he submit his completed statement to the Comptroller General of the United States, in a sealed envelope marked "Confidential Personal Financial Disclosure of Trustee (or other fiduciary) ----------," between January 1 and May 14 of each year.

(Your Name)

A candidate for Senator, for the purposes of Rule 44, is a person who has declared or otherwise made known his intention to seek nomination or election, or who has filed papers or petitions for nomination or election, or on whose behalf a declaration or nominating paper or petition has been made or filed, or who has otherwise, directly or indirectly, manifested his intention to seek nomination or election, pursuant to State law, to the office of United States Senator.

1973 STATEMENT OF CONTRIBUTIONS AND HONORARIUMS

(In compliance with Senate rules 42 and 44)

(For Use by Senators, Candidates for Senator, and Officers or Employees Whose Salary is Paid by the U.S. Senate at a Rate in Excess of $15,000 a Year)

Name: Gravel, Mike.

Calendar year of information: 1973.

Senate office or committee: Alaska, United States Senator.

1. RECEIPT OF CONTRIBUTIONS

(For Use by Senators and Candidates for Senator)

List all contributions received by you during the preceding calendar year. Contributions in the aggregate amount or value of less than $50 received from any single source during the preceding calendar year may be totaled without further itemization. A contribution from a political party may be listed as a single contribution from the party. If none, write None.

Date: 11–12–73.

Name of contributor: Jerry Ward, K. & W. Co.

Address of contributor: Anchorage, Alaska.

Amount or value: $1,000.00.

2. DISPOSITION OF CONTRIBUTIONS

(For Use by Senators and Candidates for Senator)

List all dispositions made by you during the preceding calendar year of contributions received by you and subject to Senate Rule 42. If none, write None.

Date, name of payee, address of payee, purpose, and amount

3–16–73, Hotel Mary Francis, Alaska, Travel-Home State, $63.15.

3–16–73, Baranof Hotel, Juneau, Alaska, Travel-Home State, $71.90.

3–16–73, Democratic Photo Fund, Room 130, Russell Office Bldg., Washington, D.C. 20510, Communications, $29.75.

3–16–73, Kier Photo Service, Inc., 1627 East 40th St., Cleveland, Ohio, Communications, $249.80.

3–16–73, Senate Restaurant, U.S. Capitol Bldg., Washington, D.C., Constituents Meetings, $103.76.

3–16–73, Senate Recording Studio, U.S. Capitol Bldg., Washington, D.C., Communications, $30.00.

3–16–73, Camalier & Buckley, 7222 47th St., Chevy Chase, Md., Constituents Meetings-Supplies, $177.98.

3–16–73, V.F.W. Post 1685, 1545 Sunrise Drive, Anchorage, Alaska, Dues, $15.00.

3–16–73, American Civil Liberties Union, 3000 Conn. Ave. N.W., Washington, D.C., Dues, $10.00.

3–16–73, Alaska Library Association, 727 Elm Street, Anchorage, Alaska, Dues, $2.00.

3–16–73, Common Cause, 2030 M. St., N.W., Washington, D.C., Dues, $15.00.

3–16–73, Navy League of The United States, 818 18th St., N.W., Washington, D.C., Dues, $15.00.

3–19–73, Alaska Miner's Association, Box 2263, Anchorage, Alaska, Dues, $10.00.

3–20–73, The Arctic Inst. of North America, 3458 Reopath St., Montreal, Quebec, Canada, Subscription, $10.00.

12–6–73, Karla Josephson, 1526 F. St., Anchorage, Alaska, Postage Reimb. for Communications, $30.00.

12–19–73, House Majority Printing Clerk, Rm. WA29, House of Representatives, Washington, D.C., Communications, $502.60.

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3. HONORARIUMS

List each honorarium of $300 or more received by you during the preceding calendar year. Do not list reimbursements of expenses. If none, write None.

Date, payer, description of service, and amount or value

1–3–73, Program Corporation of Amer., Speech at Niagara Univ., Plattsburg, New York, 11–29–72, $1,000.00.

1–23–73, Program Corporation of Amer., Speech at Randolph Macon Women's College, Lynchburg, Virginia, 11–27–72, $1,000.00.

2–15–73, Calif. Assoc. of Students, Speech at Calif. Student Bar Assoc., Univ. of Santa Clara, Calif., 2–5–73, $250.00.

2–23–73, Executives Club of Chicago, Speech at Executives Club, Chicago, Ill., 2–5–73, $500.00.

2–26–73, A.S.U.S.C. Social Activities, Speech at Univ. of Santa Clara, Calif., 2–12–73, $500.00.

3–19–73, Frostburg State College, Speech at Frostburg State College, Frostburg, Maryland, 2–14–73, $1,000.00.

4–4–73, Alaska Interstate Co., Speech at Alaska Investment Forum, New York City, 3–14–73, $1,800.00.

4–4–73, The Sun People Energy Conf., Speech at Energy Conference, Cape May, New Jersey, 3–24–73, $1,000.00.

4–10–73, George Washington University, Speech at George Washington University Club, Wash., D.C., 3–27–73, $300.00.

4–25–73, American Road Builders Assoc., Remarks published in May edition of Am. Rd. Bldgs. Mag., $300.00.

5–8–73, American Road Builders Association, Speech at American Road Builders Association Convention, Houston, Texas, 4–2–73, $250.00.

5–31–73, S.T.C.C. Student Association, Speech at Springfield Technical Community College, Springfield, Mass., 5–27–73, $1,200.00.

7–18–73, Active Ballot Club, Speech at Fairbanks, Alaska, 6–15–73, $1,000.00.

8–3–73, George Mitchell & Associates, Speech at Oil Industry Forum, Houston, Texas, 4–2–73, $1,000.00.

8–6–73, American Retail Federation, Speech in Washington, D.C., 8–1–73, $1,000.00.

9–5–73, American Federation of Government Employees, Speech at Ft. Richardson, Alaska, 7–26–73, $1,250.00.

9–5–73, American Road Builders Association, Article published in August edition of American Road Builders Magazine, $550.00.

9–17–73, California Savings & Loan League, Speech at California Savings and Loan League meeting, San Francisco, Calif., 9–14–73, $2,500.00.

9–20–73, Active Ballot Club, Speech at Retail Clerk's International Association, Anchorage, Alaska, 8–14–73, $1,000.00.

10–25–73, Alaska State Fire Fighters Association, Speech at Fire Fighters Association, Juneau, Alaska, 10–20–73, $50.00.

STATEMENT OF CONTRIBUTIONS AND HONORARIUMS

For use by a Senator, a candidate for Senator, and an officer or employee whose salary is paid by the U.S. Senate at a rate in excess of $15,000 a year.

This form is promulgated by the Select Committee on Standards and Conduct of the U.S. Senate for the convenience of persons who are required to file a public report of financial interests in accordance with Rule 42 and Rule 44 of the Standing Rules of the Senate. Use of this form is recommended but not mandatory.

Submit the completed statement, together with all supplementary papers, to the Secretary of the Senate between January 1 and May 14 of each year.

Use additional sheets if the space on this form is insufficient.

A contribution, for the purposes of Rule 42, is anything of value that is offered without consideration, and includes money, interests in personal or real property, or services.

A bona fide gift received in your personal, non-official, or non-political capacity may be subject to confidential reporting of a financial interest.

A candidate for Senator, for the purposes of Rule 42, is a person who has declared or otherwise made known his intention to seek nomination or election, or who has filed papers or petitions for nomination or election or on whose behalf a declaration or nominating paper or petition has been made or filed, or who has otherwise, directly or indirectly, manifested his intention to seek nomination or election, pursuant to State law, to the office of United States Senator.

Mike and Rita J. Gravel, statement of condition at fair market value, December 31, 1968

ASSETS

Current assets:	
Cash in banks	$2,000
Marketable securities	500
Trust note receivable	12,000
Total current assets	14,500
Life insurance—C.S.V.	1,104
Personal property and automobile	25,000
Investment stock—Mike Gravel Real Est. Develop. Inc.	150,000
Real estate:	
Office building—Kenai, Alaska (one-half interest)	14,000
Building lot—Kenai, Alaska	2,000
Total assets	206,604

LIABILITIES AND NET WORTH

Current liabilities: Bank loans	1,200
Total current liabilities	1,200
Long term liabilities:	
Personal promissory note	15,000
Mortgages—Office Building (one-half interest)	9,000
Kenai building lot (Escrow Note)	1,000
Total long term liabilities	25,000
Net worth	180,404
Total liabilities and net worth	206,604

MIKE AND RITA J. GRAVEL: SCHEDULE "A"

Current Assets: Trust Note Receivable, Sale of personal residence, Alaska, $12,000.

Investment: M.G.R.E.D. Inc., Family owned corporation:

Rita Gravel 60% Shareholder.

Mike Gravel 40% Shareholder.

Liabilities: Personal Note, Barney Gottstein, $15,000.

Memo: Additional contingent liability: Political Bank Loan, $19,000.

CLARK SHERWOOD & CO.,
TAX CONSULTANTS,
Wheaton, Md., February 27, 1974.

Hon. MIKE GRAVEL,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR GRAVEL: In accordance with your request, we have prepared the accompanying Financial Statement of Condition as of December 31, 1973, which is in agreement with your records.

Yours very truly,
Mrs. D. J. DUNNINGTON.

Mike and Rita J. Gravel, statement of condition at fair market value, December 31, 1973

ASSETS

Current assets:	
Cash in banks	$3,100
Marketable securities	2,000
Total current assets	5,100
Life insurance—C.S.V.	2,430
Civil service retirement fund—cash value	14,000
Personal property and automobile	50,000
Investments:	
Heart L. Ranch Co.	60,000
Mike Gravel Real Estate Develop. Inc.	124,500
Real Estate:	
Lot 9, Tantallon on the Potomac	23,000
Building lot—Kenai, Alaska	4,000
Washington residence:	
Lot 10 Tantallon on the Potomac	50,000
Improvements	150,000
Alaska residence	45,000
Total assets	528,030

LIABILITIES AND NET WORTH

Current liabilities: Bank loan	15,600
Total current liabilities	15,600
Long term liabilities:	
Personal promissory notes	25,000
Bank loans	25,500
Mortgages:	
Lot 9 Tantallon	16,000
Washington residence	121,700
Alaska residence	38,600
Total long term liabilities	226,800
Net worth	285,630
Total liabilities and net worth	528,030
Current liabilities:	
Security National Bank	3,500
Virginia National Bank	2,500
Riggs National Bank	2,600
National Bank of North America	7,000
Total current bank loans	15,000
Personal promissory notes:	
Stan Reitman	10,000
Barney Gottstein	15,000
Total personal notes	25,000
Long term bank loans:	
United Bank & Trust Co., payble at $400./mo	10,900
National Commercial Bank, payable at $228./mo	7,300
Washington Trust Co., payable at $228./mo	7,300
Total long term loans	25,500
Mortgages payable:	
Lot 9—Tantallon on the Potomac, payable at $189./mo	16,000
Washington, D.C., residence—Lot 10, payable at $195./mo	13,700
Washington, D.C. Residence—improvements, payable at $917/mo.	108,000
Alaska residence (first trust), payable at $362./mo	36,600
Alaska residence (second trust), payable at $15./mo	2,000
Total mortgages payable	176,300

MARKETABLE SECURITIES

Shares, name of security, date acquired, cost, and market value

*560, Toledo Mining, 1969, $7,746.75, $280.00.

1,500, Computer Business Supply, 1972, $1,500.00, $1,120.00.

100, Suburban Broadcasting Corp., 1972, $25.00, $600.00.

10, American Sportsmen Inc., 1972, ** $0.

Total, $2,000.00.

INVESTMENT

Heart L Ranch Company, Twin Bridges, Montana. Family owned corporation. Rita Gravel, 13% shareholder.

Mike Gravel Real Estate, Inc., Anchorage, Alaska. Rita Gravel, 43% Shareholder. Mike Gravel, 40% Shareholder.

Schedule of life insurance on Mike Gravel

Mutual of New York	$10,000
Pacific Mutual	10,000
Government Service Life	10,000
Federal Employees Group Life	45,000
State Farm Life	96,950
Total face amount life insurance	171,950

(Note—None of the above pledged as security on liabilities.)

Average Annual Gross Income 1971, 1972, 1973, $65,000.

Average Annual Household Expenses, $7,200.

INDEPENDENT LEGAL SERVICES CORPORATION

Mr. TAFT. Mr. President, yesterday the Conference Committee on Legislation To Establish an Independent Legal Services Corporation concluded its deliberations with the expectation that there will be unanimous agreement by the conferees to recommend the adoption of the conference report to their respective bodies. I am quite pleased by this development as it represents a significant step toward the establishment of a constructive legal services program for the economically disadvantaged citizens of this country. It is especially encouraging to see that agreement was reached and the differences in the two bills were resolved, as the last time a conference committee was convened on this subject in the 92d Congress a deadlock developed and no conference agreement was reached.

Hopefully, the House which will act first, and the Senate, will expeditiously adopt the conference report and send the legislation to the President for approval.

In this context I ask unanimous consent that an article I authored appearing in the spring issue of the Cincinnati Bar Journal regarding the history of legal services legislation through the first session of the 92d Congress be printed in the RECORD.

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

REPRESENTATION FOR THE ECONOMICALLY DISADVANTAGED—CONGRESS AND LEGAL SERVICES CORPORATION LEGISLATION

(By U.S. Senator ROBERT TAFT, Jr.)

Our governmental system is one founded upon law. Equal access to a procedural system that considers an individual's rights and obligations under the law is essential for all citizens. Historically, such access has been provided for principally by private lawyer-client relationships with the financial ability of the client to secure such an arrangement

often the determining factor as to the quality and quantity of the relationship.

This procedure presents serious obstacles to economically disadvantaged members of our society and is repugnant to the Constitutional requirement of equal justice under law. Attempts to correct this imbalance by the legal community have been advanced through the implementation of numerous legal aid and public defender programs since the early 1900's. These programs developed internally within the legal profession, while quite successful, have not proved to be numerous enough or broad enough in scope to provide equal opportunity in meeting the legal needs of the economically disadvantaged.

Recognizing this fact, an experimental legal services program to provide free legal assistance for low income persons was initiated by the Federal government in 1965, in the Office of Economic Opportunity (O.E.O.) with a budget of $600,000. This concept achieved substantial acceptance in the Congress and the legal community in the following years and is represented by a Federal commitment at the rate of $71.5 million for the current fiscal year.

Questions have arisen, however, regarding the Federal role in the delivery of legal services to the economically disadvantaged. The future of the Office of Economic Opportunity is uncertain. Further, numerous charges have been alleged regarding poor administration and politicization of the Office of Legal Services in O.E.O. With these concerns in mind, I and many of my colleagues have endorsed the concept of an independent legal services corporation to depoliticize this Federal commitment and to insure professionalism in the procedure for delivery of legal services to the poor. This is not a new proposal. The Ash Council (the President's Advisory Council on Executive Reorganization) in February, 1971, in Memorandum to the President, strongly recommended that the legal services program be set up as an independent corporation, rejecting proposals that it be permanently located in the Executive Office of the President or other Federal departments or agencies. This position was concurred with by the American Bar Association.

The Ash Council recommendations were incorporated into legislative proposals with bills introduced both in the House and the Senate in the 92nd Congress. The principal sponsors of the legislation in the Senate were Senators Mondale and Javits with Senator Cook also taking an active role with the introduction of an Administration proposal. In many respects both of these proposals were very similar with the major exception being the composition and selection procedure for the board of directors of the legal services corporation. Unfortunately, this issue of composition of the board and selection procedures for members of the Board, plus inclusion in the bill of a nongermane child development program proposal, led to a confrontation between the Congress and the White House and the President vetoed the Congressionally approved measure.

After the veto, efforts were made to reach a compromise. But no common ground of agreement was reached and legislation to create an independent legal services corporation was not enacted into law in the 92nd Congress.

Since then, considerable discussion has been conducted within the Congress and the Executive Branch regarding a course of action on this matter. A proposal was submitted by the President to the Congress on May 11, 1973. I introduced this proposal with Senators Javits, Nelson, Schweiker, and Beall with the hope that action would be taken before the end of the year. Similar legislation was also introduced in the House and approved after lengthy debate on June 21st. After House adoption of a legal services bill, prospects appeared to be excellent for action to be taken by the Senate. The Senate Labor and Public Welfare Committee undertook extensive discussions with representatives from the White House in an effort to seek agreement on a compromise bill which could be supported by the Administration and the Senate. On December 10, such a compromise bill (S. 2686) was brought before the Senate. The proposal was endorsed unanimously by the members of the Senate Labor Committee and strongly supported by the American Bar Association, the Ohio Bar Association, and many other professional legal organizations in the country. Along with many of my colleagues, I was quite hopeful that the compromise would be supported by a majority of the Senate and that after a conference with the House it would be sent to the President for signature before the end of 1973. Unfortunately, the Senate was never provided with such an opportunity as opponents of the bill staged a filibuster. Approximately 100 amendments, many of them nongermane, were offered to the proposal by opponents of the bill. This strategy proved successful as only a limited period of time for debate of this legislation was available in the remainder of the session (energy bills were being given priority) and the Senate thus faced with the press of adjournment failed by the margin of a single vote to break the filibuster.

Why is the foregoing concept subject to such controversy and still stalled in Congress after years of debate?

Essentially, three arguments are advanced by opponents of the legislation before the Senate. First, they argue that no hearings were held this year on the proposal and that the Committee on the Judiciary should have an opportunity to review the bill. Second, opponents state that the proposal should be patterned along the lines of a revenue sharing concept. And third, opponents say the bill contains no practical limitations with respect to the scope of activities by staff attorneys permitted by the Corporation, especially in the areas of politics, lobbying, and suits against units of State and local governments. The first argument, I believe, is basically a procedural delaying tactic and can be dismissed since the concept of an independent legal services corporation, including essentially the proposal currently before the Senate, has been considered at length in past congresses. Further, absolutely no requests were made for additional hearings on this legislation in this Congress. The leadership of the Judiciary Committee has been fully advised of the matter as it proceeded, but it made no requests for an opportunity to review the proposal. Points two and three raised in opposition to the proposal, however, do merit discussion.

The proposition that a Federal delivery system for legal services be structured like a revenue sharing proposal concerns the heart of the "independence" question of a legal services corporation. The opponents of the bill before the Senate would permit the Governor in each State in which such legal services were offered to veto part or all of the activities of legal services attorneys in the State. The Committee proposal, on the other hand, would authorize Governors to appoint, after receiving recommendations from State bar associations, nine-member advisory boards composed of lawyers admitted to practice in the State. Such advisory boards would monitor the activities of legal services attorneys in the State and notify the corporation of any apparent violation of the governing statute of the corporation or rules and regulations established by the corporation for its attorneys. Such monitoring and regulating would be in addition to the rules and regulations established by laws of the State with respect to the practice of law.

The issue there becomes whether the Governor of the State can control and practically block suits from being initiated by legal services attorneys or whether such attorneys will be subject to the rules and regulations established by the corporation through congressional mandate. I submit the latter is a far preferable approach as in politically sensitive cases such as a suit against a city for failing to enforce a housing code or a suit against a State for failure to provide medicaid payments, the legal services attorneys will be insulated against political pressure from State and local officials and be permitted to represent the best interests of their clients.

Opponents of the Committee bill, however, fail to concede on point two when presented with this response to depoliticization of the corporation by essentially raising point three—lack of practical limitations on the scope of permitted activities by legal services attorneys. This argument, however, I believe fails to focus upon the protections that have been incorporated in the legal services corporation bill before the Senate. To begin with, only those individuals unable to afford a lawyer will be eligible for legal assistance with the maximum eligibility level to be established by the corporation and the Office of Management and Budget Eligibility levels are to reflect varying economic conditions within regions of the country and not to reflect artificially high or low standards. Preference is to be given those least able to afford legal assistance and specific statutory language is incorporated to permit legal services attorneys to refuse to assist individuals if their lack of income results from refusal to seek employment. Further, under the Committee proposal, legal assistance is specifically prohibited with respect to criminal proceedings. Thus only a certain category of the general populace will be eligible for legal assistance, and then only in noncriminal proceedings.

Beyond these general limitations, specific prohibitions on corporation activities are also contained in the bill before the Senate with regard to funding or giving advice to any political organization, support for training programs for encouraging political activity, labor or anti labor activity or any illegal boycott, picketing, strike, or demonstration. No corporation funds are to be used to organize, assist to organize, or encourage to organize any organization, association, coalition, alliance, federation, or similar entity. Corporation attorneys, while carrying out legal assistance, would not be permitted to engage in or encourage others to engage in any public demonstration or picketing, boycott, or strike. At no time would they be permitted to engage in or encourage others to engage in any rioting or civil disturbance, any activity which is in violation of court injunction, or any other illegal activity. Corporation attorneys would also be required to refrain, while engaged in legal assistance, from any political activity associated with a political party or candidate for public or party office, voter transportation to the polls, or any other voter registration activity except as necessary to provide legal advice and representation by an attorney with respect to a client's legal rights and responsibilities. All staff attorneys additionally would be under certain provisions of the Hatch Act at all times.

With respect to lobbying, no corporation funds could be used at any time, directly or indirectly, to undertake to influence the passage of or defend any legislation by Congress or by State or local legislative bodies except where representation "by an attorney as an attorney's client" for any eligible client is necessary to the providing of legal advice and representation with respect to such client's legal rights and responsibilities or "where a legislative body, a committee, or a member of such body requests personnel to make a representation thereto." Opponents of the Committee bill state that no lobbying at all should be prohibited and that even under the above provisions a legal services attorney will be provided with too much leeway with respect to lobbyists. As I discern their arguments, essentially they do not feel that public money should be available for any type of lobbying. On the surface, this would appear to be a compelling argument. Upon reflection, however, it would seem that the interests of an eligible client sometimes can best be served by the legal services attorney working through a State or Federal official to obtain a needed benefit for the client.

For instance, if the client was not receiving a benefit from the Veterans Administration, it would seem far preferable to me to have the legal services attorney proceed to the office of an elected official before initiating litigation if the V.A. officials refuse to consider the individual case for reasons based on the language of the law. Further, I can see a legal services attorney seeing a need for testifying before a city council at their request with respect to suggestions to strengthen the city housing code. Such testimony could alleviate problems for a large number of economically disadvantaged citizens and would be an efficient method of securing relief for such individuals rather than on a case by case approach.

Many other examples could be cited with regard to the importance of legal services attorneys being permitted to contact administrative agencies of the Federal government or of units of a State or local government. Technically, many such contacts could be labelled lobbying, but without this option the legal services attorney would be generally limited in his ability to represent a client.

Initiating legal action against the Federal government or a unit of State or local government probably is the area that has received the most publicity under the Office of Legal Services in O.E.O. Complaints were heard from governors, especially, and mayors that legal services attorneys were engaging in political activity and that the suits that were initiated by such attorneys against them were an effort to embarrass them politically. The facts do not support this allegation. A study by the General Accounting Office shows that a very small percent of legal actions litigated were against units of State or local government or the Federal government. (It is interesting to note that in a large percentage of such cases, the legal services attorney was successful.) With the provisions contained in the bill, political activity will be prohibited and such suits will be only on behalf of eligible clients. If an issue needs to be litigated and a unit of government is involved, I can see no reason to prohibit such legal action. The legal services attorney must act within the Canons of Ethics. He cannot initiate litigation. Further, he cannot act without regard to the rules and regulations of the corporation. Certainly some abuses have occurred in the past, but, as the G.A.O. report indicates, these abuses were generally due to lax administration by O.E.O. and failure to properly follow income eligibility guidelines. If there really is to be a commitment to provide legal representation for the poor, I do not see how members of the bar could meet this commitment without flexibility in this area.

Considering the controversial nature of this legislation and its failure to become law in past Congresses, what are the prospects for the remainder of the 93rd Congress? Hopefully, bright. Legal services corporation legislation will be the pending business when the Senate returns from adjournment and I am confident that with enthusiastic support of the Administration and the bar, the ideal of equal justice under law for all Americans will be significantly advanced by the creation of an independent legal services corporation.

THE RAPE PREVENTION AND CONTROL ACT

Mr. MATHIAS. Mr. President, on September 17, 1973, I introduced S. 2422, the Rape Prevention and Control Act. Since that time, I have received extensive correspondence about the bill from concerned individuals as well as interested groups.

Many of these letters speak from the perspective of the female victim, and lend credence to the notion that it is she who is made to physically as well as emotionally suffer for the crime which has been committed, oftentimes with the accused rapist allowed to go free.

Recently, however, I received a most unusual letter of support from two men who speak from an entirely different perspective on the same issue. Mr. William Speaker and Mr. Gerald Lowe, inmates in a Maryland penitentiary, while by no means accused rapists themselves, are almost daily confronted by men who have committed that crime among their others. This affords Mr. Speaker and Mr. Lowe the rather unusual opportunity to study the attitudes of these men, firsthand. Additionally, Mr. Speaker and Mr. Lowe see only too well the facility with which men begin to prey upon one another when placed in such a confining and often degrading environment as a prison can be. Their account of the rapes committed within the prisons, themselves—by men, upon other men—paints only too clearly a picture which attests to the need for reform of a system that would allow for the continuation of such atrocities.

Mr. President, at this time I ask unanimous consent that Mr. William Speaker and Mr. Gerald Lowe's timely and most relevant observations on the subject of rape be printed in the RECORD.

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

HAGERSTOWN, MD.

Re Support for S-2422 and Amendment S-3280.

Senator CHARLES MATHIAS,
Committee on Appropriations,
Washington, D.C.

DEAR SENATOR MATHIAS: The crime of rape is on the increase in American Society. The raper is protected by the laws of the land, and is given every protection guaranteed by the U.S. Constitution to a fast and speedy trial. His rights are protected very closely.

What about the victim of the raper? Must he or she be cast aside to live with their memories and miseries. Is the American society so careful to protect the criminal that they overlook the victim.

There are two different types of rape. One committed on the woman or child and the other is rape in prisons. The first type we want to support legislation for is rape of a woman and child. This type of rape is pure sickness and pure hell for the victim. While the raper is being coddled and protected, the victim is going through hell. The agony of reporting this to the police and the cold, heartless examination by the doctors, often cause the victim more mental harm than the raper.

Often times the victim is made to believe she enticed the raper, while being in her own home. As we stated in our letter of November 29, 1973, that the American woman who possesses the natural beauty of the women today, should not have to live in fear of being victimized because she shows this beauty.

It is time that the American people care for the victims of rape: especially if the victim is a child. The child will need special care so that the mental agony will not cause her to grow up with the ordeal remaining. True, it will not be easy to forget, but that is what the legislation is all about. The American society has to go forward again. This time it must assist the victim of the crime. The child will need counseling and every possible assistance available while testifying and undergoing the examinations. It's shocking to think that your daughter has been raped and is afraid to report it because of the way she is made to feel. In most cases the defendant's attorney will subject this person to pure hell while treating her as a harlot or whore, in an effort to get his client off with a not guilty verdict.

The victim is left to herself to suffer the agony and why????? All she did was report a crime that was committed on her. It is not surprising to find that the number of rapes that are reported is decreasing. The way society treats the victim is absurd and shocking. Even the most depraved criminal is treated better than the victim of a rape.

Once the raper enters prison (if convicted), the entire prison population is aware of what he done. He brags about what he put his victim through. That is where we come in contact with him. To most of us in here, he is an animal who should be put in a cage, have the door welded shut and treated like he treats others. In most cases, the raper continues to rape after in prison. Still sick and still raping. The number of victims he brags about is astounding. In many cases, he has raped repeatedly and the victim was afraid to report it to the police. In prison language, a raper is a dog and in most cases he is cast aside by the majority of inmates. Why, simply because we don't want to be around him. It could have been our wife, daughter or sister that was his victim. As most of us feel, "God help him if it was and they put him in the same jail together with us".

The second type of rape the proposed legislation deals with is the homosexual rape "Which permeates our so-called correctional institutions." You would be totally astounded to learn the true figures of the number of rapes that occur in prison. It's total deprivation and the effects of the rape will remain with the young man for the rest of his life. Often he returns to society with more hatred than even he thought possible. In over nine years of incarceration, we have seen the effects of rape in prison. During the prison riots in Maryland on March 29, 1973, many young men were the victims of rape and the effect of their ordeal was pure hell.

I personally saw the effects on many young men and I was the only inmate allowed to talk with them after the riot was put down. This was even before they were treated at the hospital and the damage was beyond words. It's extremely hard to write it down. I can remember one young man who was raped that night and he was beaten badly, who later escaped from the road camp in Southern Maryland. This young man later was arrested in another state for the senseless killing of an entire family. In talking with this young man the next day, he told me then, that society would pay for what happened to him. His mind never was the same. I am not talking fiction either, I am talking pure fact. I saw one young man who had both arms broken and needed over 50 stitches to close the wounds when he fought the rapers. Still, the rapers went free because of the way the victim was treated. Both inside and outside, something must be done and done now, to assist the victims of rape.

A National Center for the Prevention and Control of Rape is drastically needed and their outline of activities would be a large asset to the American Justice System. But, please don't be surprised at the amount of rapes that are not reported. Even your most conservative estimates will be surpassed and the education of the parents and victim is drastically needed. In most cases, the parents of the rape victim (child) will not understand the agony that she has gone through. In some cases, they treat her like dirt and will allow her not to forget her ordeal.

While being incarcerated in the Maryland Correctional Training Center, this does not lessen our responsibility to society. We certainly don't want society to live in fear of some of us. It is time that the American Society stop coddling the raper and treating the victim as the criminal. We urge the members of the U.S. Senate to enact this vital piece of legislation that is so drastically needed.

We support S-2422 and S-3280 in its entirety and will work to see that this legislation is enacted. It is hard to put our thoughts on paper concerning this crime, especially after having witnessed it in prison.

We are honored that we were asked to give our written testimonial on the proposed legislation. We want to extend our thanks to the office of Senator Mathias, and the Assistant Supt. Mr. Lyles and the staff of the Maryland Correctional Training Center for allowing us time to prepare this paper.

If you need further assistance in this legislation, please do not hesitate to contact us. We hope, the "proposed legislation will become law."

Very truly yours,

WILLIAM H. SPEAKER,
GERALD LOWE.

THE PAPER PRISON: YOUR GOVERNMENT RECORDS

Mr. MATHIAS. Mr. President, on Thursday, April 25, 1974, ABC News presented a 1-hour special presentation entitled, "The Paper Prison: Your Government Records." The program in a very straightforward manner revealed how the privacy of individuals guaranteed by the fourth amendment of the *Constitution* has been eroded by access of the Government to the records of individuals. It is, of course, inevitable that in an age of computer technology that such a development could have taken place. But it is clear, and this was the tenor of the special presentation, that individual rights of privacy have been adversely affected and it is necessary to take steps to assure that the legitimate right to privacy of citizens should be protected.

The guarantees contained in the Constitution particularly those provisions of the Bill of Rights which protect the privacy of individuals have been seriously threatened by some Government practices in recent years. The Watergate has revealed that the protections of the fourth amendment which guarantee that an individual will not be subject to unreasonable searches and seizures and will not be subject to unreasonable invasions of privacy have been seriously eroded.

To correct the abuses which have come to light, and to assure that our cherished constitutional guarantees continue to have validity, I have introduced, with others, a bill entitled Bill of Rights Procedures Act of 1974, which will prohibit any interception of communication, other electronic surveillance, entry of dwellings, mail openings, inspecting or procuring the records of telephone, bank, medical or any other business or private transaction of any individual without a court order issued upon probable cause that a crime has been or is about to be committeed supported by oath or affirmation and particularly describing the place to be searched and the person or things to be seized.

In those cases where a Federal court authorizes a search warrant, the disposition of all records including any log, copy, or summary of any action taken shall be available under appropriate conditions of confidentiality consistent with the fourth amendment to protect the privacy of any individuals involved shall be forwarded to the administrative office of the Federal courts and to the appropriate committees of Congress. This provision is necessary to assure that the Congress can exercise its constitutional duties of oversight and it should serve as a check against future abuses of power.

The fourth amendment is one of our cherished means of preserving our liberty. We must assure that the Constitution remains secure against the threats of arbitrary power. It is my hope that the Congress will enact this legislation which recent years have, unfortunately, proven so necessary.

I ask unanimous consent that the transcript of the ABC News Closeup, "The Paper Prison," be printed in the RECORD.

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

ABC NEWS CLOSEUP: "THE PAPER PRISON: YOUR GOVERNMENT RECORDS"

(As broadcast over the ABC Television Network, Thursday, April 25, 1974.)

PROLOGUE

FRANK REYNOLDS. For twenty-seven years, this man was erroneously listed in FBI files as a fugitive from justice.

HARRY WACHTER. You know, it's hard to say, over the years, how this might have affected my life.

FRANK REYNOLDS. If you've ever been arrested you can be marked for life. Even though you may have been found not guilty, that crucial fact may not catch up with your arrest record at the FBI's mammoth record-keeping center . . . Why?

Your children's school record may contain a confidential file with information that is inaccurate and damaging.

MARK ISAACS. The only way I can be given the opportunity to challenge it is to know that it exists, and to be given access to it.

FRANK REYNOLDS. But in many states the police and other agencies have a better chance of seeing your child's school record than you do . . . Why? If you're a veteran discharged before March 22, 1974, take a close look at your discharge papers, especially this one . . . It's called DD-214.

TONY ARGANDA. A DD-214 turns into a paper prison which a veteran has to be in for the rest of his or her life.

FRANK REYNOLDS. There's a three letter code there. You may not know what it means but prospective employers do . . . Why?

In the next hour, ABC News will attempt to answer these questions as we examine government records from your neighborhood school to the FBI, records that are being kept on you and your family.

PART ONE

FRANK REYNOLDS. We begin with the premise that all institutions, governments included, must maintain records. What we propose to examine in the next hour is—how much record-keeping is enough? Is there unwarranted and unnecessary record-keeping? . . . And perhaps, most importantly, is there unauthorized access to these records?

How vast is government record-keeping?

Well, this study, an exhaustive four-year effort by the Senate Sub-committee on Constitutional Rights, and released here for the first time, will give you some indication. Senator Sam Ervin, Chairman of the Subcommittee.

Senator SAM ERVIN. They admit that they're operating 910 computer data banks which contain information about individuals. The Committee estimates that these 910 data banks contain at least one billion, fifty-two million different records.

ANNOUNCER. Document: Further findings from the Sub-committee's four-year study . . . The Treasury Department—names of two million coin collectors . . . Selective Service—files on fourteen million, eight hundred sixty thousand persons . . .

The Air Force—religious files on at least one million Air Force Personnel . . . The Small Business Administration—statements of personal history on five hundred thousand persons . . . Internal Revenue Service—two hundred and twenty thousand intelligence files . . . The White House—seven computer data banks, one containing the names of fifteen thousand, two hundred and four persons whom the President addresses by their first names.

FRANK REYNOLDS. This ABC Closeup is concerned not with the records of friends or enemies, but with the records kept by government agencies on you and your family, on a majority of Americans. Our starting point . . . the neighborhood school.

JOEL CRAUSMAN, school psychologist, Mont-

gomery County, Md. The thing about the schools, the school systems of America, is that they hold in their records and in their files the most, the vastest, the most comprehensive data bank, on every man, woman, and child educated in this country that any insitution does. We make the IRS and the FBI pale by comparison.

FRANK REYNOLDS. It may well be that America's school children are the victims of the most wide-spread invasion of privacy in the country.

All school systems keep records. Many keep confidential files. We discovered that just about anything can be put into these files by just about anybody, and that often, outsiders have an easier time seeing the records than do parents.

The National Committee for Citizens in Education has just completed an extensive fifty-state study of school record keeping practices. It is released here for the first time. The Senior Associates of the Citizen's Committee, Carl Marburger and William Rioux.

WILLIAM RIOUX. There are only four states in the country where we found that specifically the state stipulates that the parents have access to those records.

CARL MARBURGER. Anyone in the school staff, including the school secretary, the principal, the superintendent, the teacher, the counselor, can put something into the record. And by being unsupervised, no one ever pulls anything out, and no one ever knows precisely what goes in, and the parent himself is often denied access to what's in the record.

FRANK REYNOLDS. ABC News examined at random school districts around the country . . . Wheaton, Maryland. Mr. and Mrs. Richard Dean, parents of two boys, discovered a confidential file at their son's school.

RICHARD DEAN. Seventy-six different items that were in at least eight different locations . . .

FRANK REYNOLDS. The Dean's case provides some insight into what goes into these files and how widely they're distributed.

Mrs. RICHARD DEAN. There were remarks in this file that related to the family, and to us as parents.

ANNOUNCER. Document: From the Dean's confidential file, a description of one of the parents . . . Quote, "tense, domineering, intelligent, perfectionist-type person."

JOEL CRAUSMAN. Any individual can write something on a piece of paper, put it into a file folder, and those comments can follow a youngster through his public school career. I have seen notes in youngsters' files which were put there by cafeteria workers.

FRANK REYNOLDS. It took the Deans more than a year to track down every item in the confidential file, and to get the school to agree to destroy them.

Mrs. RICHARD DEAN. About six months later, even though we had all the assurance of the Assistant Superintendent and all the school officials, we decided to just make a spot check . . . So we went into school and asked to see the files on all of our children. And, lo and behold, there appeared another document that supposedly had been destroyed.

JOEL CRAUSMAN. There is no real assurance that confidential files are destroyed in their entirety, when they are supposed to be. A confidential file goes where the child goes . .

FRANK REYNOLDS. Can parents get to these files to have potentially damaging material removed? Menlo Park, California . . . These are the children of Mrs. Gladys Halperin. One of them suffers from a neurological handicap. Mrs. Halperin and a private neurologist challenge the accuracy of a psychological evaluation that has become a permanent part of the record of one of the children. It took Mrs. Halperin more than a year to gain access to this school file. She is now trying to have it expunged.

GLADYS HALPERIN. This is incorrect and it's potentially stigmatizing, and we have no assurances from the school that this information is protected.

FRANK REYNOLDS. We asked school board official, T. W. Stevens if the psychologist should share information with the parent.

T. W. STEVENS. He should share with the parents the observations that he has made, but certain terms that he would use, he would not share because they're going to be misleading.

GLADYS HALPERIN. It's necessary for psychologists to take the time to explain the full situation because parents are the ones that have the prime responsibility for the child.

CARL MARBURGER. We have built up a jargon. We have built up a cult of secrecy in the profession that we feel that the average parent cannot interpret.

MARK ISAACS. I felt a sense of outrage. The person who's described in these papers is not the boy I knew.

FRANK REYNOLDS. Perkasie, Pennsylvania . . . This is the family of David Isaacs. An adopted eight-year-old, David was killed by an automobile just outside his home.

Court action followed, and it came to light that a confidential file had been kept on David from kindergarten through the third grade.

ANNOUNCER. From the confidential file on David Isaacs: quote, "David's feelings of superiority, if they do exist, are bolstered through parent attitudes. This could result in some negative attitudes towards school. The preceding statements are just observations."

MARK ISAACS. Balderdash . . . Because this is nonsense. I'm trying to figure out what he talked about. I tried . . . I read that . . .

FRANK REYNOLDS. Mark and Maggie Isaacs, David's step-parents.

MAGGIE ISAACS. That may be another way of saying, a negative way of saying, that we tried to give the kid pride in being an individual, being himself. He was David Isaacs. This was important.

FRANK REYNOLDS. Dr. William Keim, Superintendent of Schools, Pennridge School District.

Dr. WILLIAM KEIM. In that particular case it sounds like a psychologist, if that's who it was in a case like that who was conducting that interview, was making an observation.

MARK ISAACS. Anybody has a right to make mistakes. He can make an improper observation on my kid, your kid, anybody's kid. It goes in the record. But the thing I'm objecting to is it stays there. I should have the right to say, "This man is wrong."

Dr. WILLIAM KEIM. Do they know that? Do they know these records are completely open to them?

Well, if in our society, we issued a booklet of what everyone may do, and what is available, and what isn't available, I mean, we would end up, you know, with a Sears and Roebuck catalogue.

MARK ISAACS. There's such a thing as formal secrecy which says, no, I don't have the right, and effective secrecy, which doesn't say a word. It denies me the right by not telling me that these things exist.

A member of the school board told me that he did not think that the records of a school should be open to untutored eyes, and now, my reply to that was—everybody's eyes are untutored in most things . . . That, if I go . . . a trial by jury is a trial by twelve pairs of untutored eyes. Untutored eyes is the key to democracy.

Dr. WILLIAM KEIM. We would keep anything in the folder that we think would in any way help us guide their educational career.

MAGGIE ISAACS. I think one of the best things that parents can do about their children's records is to ask to see them in the first place, ask to see them regularly, and then challenge anything that they don't like, or don't agree with.

Mrs. RICHARD DEAN. We feel that every parent should have the right to request the removal of any material that they consider irrelevant, that has nothing to do with the educational benefits to be gained by the child.

MARK ISAACS. Something should be done legislatively . . . Not just that the parents have permission to look at the school records, but that parents have a positively expressed right.

FRANK REYNOLDS. In only twenty states do parents now have that right, and even in those twenty states, it is not always clear to which record they can gain access.

These are police records, records kept on youngsters, many of whom have not even been accused of a crime. The children are part of something called a pre-delinquent program.

These are records kept on youngsters in something called a delinquent diversion program. These records can track a child from one end of the country to the other.

These types of programs, funded by federal money, are quietly mushrooming around the country. We examined some of them in California.

The Bell Gardens, California Police Department claims it has significantly reduced the number of juveniles entering the criminal justice system. But, at the same time, it has started, within that system, a vast new file of records on many youngsters not even accused of a crime. Bell Gardens Police Chief, Ferice Childers . . .

FERICE CHILDERS. The age brackets that we deal with range from a babe in arms to a person eighteen, primarily. Everything that we do within this particular program, every action, every contact, is documented, and is entered in our computerized system of record keeping, and all the agencies here share the same files. They work together as a team.

FRANK REYNOLDS. Money for these programs comes from one of the least-known agencies of the Federal government, the Law Enforcement Assistance Administration. The Administrator of LEAA is Donald Santarelli.

DONALD SANTARELLI. We are the last line of defense in a sense, the net which catches the foul ball only. We can't take every pitch. The pitch is to be taken by such institutions as the family, the community, the church and the school.

FRANK REYNOLDS. What is a pre-delinquent?

DONALD SANTARELLI. I'm not sure I can answer that question. That's a question you should ask an authority on juvenile delinquency. I'm managing for the Congress and the Executive branch a support program designed to make local government more responsive.

PAUL ALTMEYER. But your organization has

spent fifty-five million dollars on pre-delinquency programs.

DONALD SANTARELLI. I can't answer that with any specificity.

FRANK REYNOLDS. In Orange County, twenty-one police departments refer children to this center run by the County Probation Department. At the Newport Beach Police Department, we asked Juvenile Officers Bob Hardy and Mike McEveny what kind of youngster is being recommended for this program?

Officer BOB HARDY. This could be the child who is unable to cope with maybe his physical stature, being smaller or too large, or is immature for his age and is unable to cope with his age peer group, because of his immaturity.

PAUL ALTMEYER. And he need not have any police record?

Officer BOB HARDY. This is correct.

FRANK REYNOLDS. Dr. Charles Wiand, Director of the Behavior Assessment and Treatment Services Center.

Dr. CHARLES WIAND. They are not given specific, confidential information about various aspects of family conflict because it would be of little use to them, for one thing.

PAUL ALTMEYER. These progress reports . . . what do they say?

Officer BOB HARDY. A typical one will say that we have assessed the problem, that there is a sibling rivalry within the family between the brother and sister.

Dr. CHARLES WIAND. Some kind of notations are made, but it's not, in my opinion, injurious.

Officer BOB HARDY. If the juvenile moves out of the area to another jurisdiction and we, they want to take the benefit of the information that we've gathered on the subject before, and we will pass this information along.

PAUL ALTMEYER. So, if the child were to move from Newport Beach, California to Pennsylvania this record would stay then.

Officer BOB HARDY. It would stay with us until it was requested. But it would be available to them.

FRANK REYNOLDS. If your child does get in trouble with the law, a record may follow the child, even though it was supposed to have been destroyed or sealed.

ABC News examined record-keeping practices in one big-city juvenile court—Los Angeles. Most juvenile courts throughout the country, have provisions to allow a youngster who has a court record, and who then is rehabilitated, to have that record permanently sealed. But is it sealed? Robert Overton, head of Juvenile Court Services, Los Angeles.

ROBERT OVERTON. The petition is filed with the Superior Court and then an investigation is conducted, and if that investigation proves satisfactory, the Superior Court will then order the records sealed.

PAUL ALTMEYER. But does that person know all of the agencies who have a copy of that record?

ROBERT OVERTON. Not necessarily.

FRANK REYNOLDS. William Hogoboom, Presiding Judge of the Los Angeles Juvenile Court.

Judge WILLIAM HOGOBOOM. It's always possible that they can be other places. There is no record system that I've ever heard of that is absolutely fail-safe proof.

FRANK REYNOLDS. We also learned that when the Juvenile Court orders the Los Angeles Board of Education to seal a child's school record, the so-called sealed record is actually stored on microfilm along with unsealed records.

PAUL ALTMEYER. Do you think that that's a good policy?

Judge WILLIAM HOGOBOOM. Well, it's a difficult policy for them to get back and seal the record.

PAUL ALTMEYER. Did you envision it as being on microfilm?

Judge WILLIAM HOGOBOOM. Yes, I don't think it's important from my standpoint whether it's on microfilm or on . . .

PAUL ALTMEYER. With unsealed records?

Judge WILLIAM HOGOBOOM. Well, I thought you indicated that there was one record, that each record was separate, but it was on microfilm . . .

PAUL ALTMEYER. No, they are mixed together, unsealed and sealed.

Judge WILLIAM HOGOBOOM. Oh, no, I would think that would be not a particularly good system.

PAUL ALTMEYER. Do you think it should be changed?

Judge WILLIAM HOGOBOOM. I would think it should, yes.

PART TWO

FRANK REYNOLDS. If you're a veteran you have a coded number following you that you may not know about. Look at your discharge form DD–214. If you were discharged before March 22,1974, there is a three number code in Box 11–C. It's called a Separation Program Number or "SPN." It's the coded reason for his discharge. Even if your discharge is honorable, your SPN code may hurt you.

TONY ARGANDA. One of the reasons I haven't been able to get a job in my chosen, well, in my field, electronics, is possibly because there was a number on my discharge.

FRANK REYNOLDS. Since 1967 alone, more than two hundred thousand veterans with honorable discharges have been labeled with damaging SPN numbers. There were more than five hundred such numbers. One could label you "a shirker." Another could say you had an "apathetic attitude." Another that you were a "marginal producer." Vague descriptions, but clearly unfavorable. We spoke with several honorably discharged vets around the country. Paul Cox, an ex-Marine.

PAUL COX. I got several awards. I got a Combat Gallantry Award and a whole bunch of, you know, a whole chestful of ribbons. I made Sergeant. I worked my way up. I did my job. But now I've got this SPN number 305, early separation, it says. It's something strange, "for the convenience of the government," on my discharge paper, after supposedly serving my country well.

FRANK REYNOLDS. Some veterans feel the SPN codes were used to punish legal political activity. James Mohler won the Navy Achievement Medal in Vietnam. However, he began circulating a legal petition to Congress to end the war. Mohler was then released from the Navy early, with an honorable discharge, but was given the SPN code, 302, for "substandard personal behavior."

Representative JOHN SEIBERLING. This is a rather interesting case of Mr. Mohler. I'm looking at his reports from the Navy . . .

FRANK REYNOLDS. Congressman John Seiberling of Ohio . . .

Representative JOHN SEIBERLING. One that says RD 2 Mohler has developed very effectively as the leading radar man . . . Mohler is an outstanding RD . . . Mohler has a great deal of initiative concerning work in his rating . . . And similar complimentary statements.

Then we get to his discharge papers and they have a 302 Separation Program Number or SPN number, as it's called, and that stands for "substandard performance." And yet there's nothing in his records that shows any basis for that kind of a rating.

FRANK REYNOLDS. Despite the fact that these SPN lists were clearly marked "For Official Use Only," we found major corporations use them to screen prospective employees. ABC News learned that the following corporations have SPN lists: Firestone, the Chrysler Corporation, Standard Oil of California, Republic Steel, Sperry-New Holland, Boeing, McDonnell-Douglas and Honeywell.

RENE RAMIREZ. Since certain veterans have honorable discharges and have adverse SPN codes, employers tend to look, only look, at the SPN codes because the SPN codes give you the actual reason for discharge.

FRANK REYNOLDS. Rene Ramirez was a company commander in both Korea and Vietnam. A disabled veteran, winner of the Purple Heart, he has just completed law school, where he did an intensive study of SPN codes.

RENE RAMIREZ. When you had weak charges against a man, that you knew the charges would not sustain a court martial, and you didn't want him to see a lawyer, so what we would do is we would offer the man a general discharge, coerce him into accepting the general discharge, and get him out of the service that way. Now, the reasons we put down on their paper work, for their discharge, would be coded, when they were out of the service and put on their DD–214's. And they're carrying these numbers around now, and some of them don't even know what these numbers mean or why they were given to them.

FRANK REYNOLDS. Isn't the Army really using a SPN number to punish a man?

Col. VICTOR DEFIORI. That's not the intent no, sir.

FRANK REYNOLDS. Is that the effect?

Col. VICTOR DEFIORI. It's not the intent. It may be the effect.

FRANK REYNOLDS. We asked the Pentagon for a response and on March 14, 1974, spoke with Colonel Victor DeFiori.

Col. DeFiori, why does the Department of Defense need SPN numbers?

Col. VICTOR DEFIORI. You must realize that for the past five or six years, the Department of Defense has been discharging about nine hundred thousand men and women per year. So we face the dilemma of trying to recognize meritorious service. And when we do recognize meritorious service, we are forced to at least acknowledge that some men and women do not perform meritorious service.

FRANK REYNOLDS. During the course of our investigation into SPN numbers, and after we had questioned Colonel DeFiori, the Defense Department announced it would stop placing SPN codes on a veteran's DD–214 form. We returned to the Pentagon and spoke with General Leo Benade.

General Benade, why is it now possible to drop the SPN codes, when only last month Col. DeFiori told us it was necessary to keep them?

Gen. LEO BENADE. I think it's a good illustration, Mr. Reynolds, of a system that was well intended, and for good reasons. But it became so painfully apparent that we were not succeeding in explaining the system, and a great deal of misinformation was flying about.

FRANK REYNOLDS. Do you still believe, then, General Benade, that it was a good system, that you merely had difficulty in, as you say, explaining it?

Gen. LEO BENADE. Anything that hurts people—and there is no question the other system did hurt some—this was never intended as such I can assure you. The military services have no desire to be vindictive or to pursue a veteran who has departed service. By May first, we hope to be set up everywhere with proper instructions out, and everyone trained, and then every veteran who desires to have a new form 214 be issued to him, need only apply to his parent service.

FRANK REYNOLDS. Congressman Edward Koch of New York has been one of the leading congressional critics of SPN numbers.

Representative EDWARD KOCH. The Department says that a veteran who has a SPN number on his discharge paper now, if he submits it, they will replace it with a new discharge paper. We think that there will be tens of thousands of veterans who are unaware of the SPN numbers and who will not make the effort and who will go through life stigmatized. And therefore Congressman Aspin and myself have requested the Pentagon to issue new papers to every veteran, and all of these discharges since 1955 bear SPN numbers, so they should all be replaced—automatically.

FRANK REYNOLDS. More than eleven million veterans have been honorably discharged since 1960. It is estimated that more than half a million of them still carry bad SPN numbers on their records.

PART THREE

Attorney General WILLIAM SAXBE. I had a lawyer come in from Columbus for a convention of some kind, and he got in some difficulty with the police, and when they took him to the police station—he was drunk and disorderly—asked for his name, and he told them that he was William B. Saxbe, the Attorney General of Ohio. And even though he had other cards in his pocket, they booked him that way. I had a dickens of a time getting my name off of that docket, the police blotter.

Chief JOSEPH MCNAMARA (Kansas City Police Department). We're aware of the concerns about privacy and we're staying on top of that problem. We would hate to see the police utilization of the computer curtailed. And I think we very much agree with FBI Director Clarence Kelley's stand that criminal records must be open to law enforcement officers for purposes of assisting in investigations of crimes.

FBI Director CLARENCE KELLEY. And I hold up as an example of effective, fair, and efficient multi-state and federal cooperation on a criminal justice information system, the National Crime Information Center . . .

FBI TOUR GUIDE. Approximately a hundred and twenty-thousand inquiries will come to us each day . . .

FRANK REYNOLDS. The Federal Bureau of Investigation is the largest known repository of arrest information in the world. The FBI's Identification Division alone contains more than twenty million arrest records.

But many of these records do not contain the disposition of the case—whether the person was found guilty or not guilty, or had the charges dropped or dismissed. These manual records move freely between the FBI and the nation's police departments, state and local licensing agencies, and in some cases—although they are not supposed to—to credit agencies and private businesses.

Now, the FBI has collected about five hundred thousand computerized arrest records at its National Crime Information Center. By 1984, the FBI expects to have five million computerized arrest records, and any one of these will be available to thousands of police departments in five seconds.

HARRY WACHTER. Now, since 1947, it's hard to say how many jobs I might have lost . . .

FRANK REYNOLDS. Harry Wachter, an insurance salesman, moved from Arkansas to Virginia in 1947. An Arkansas associate thought Wachter had run out on a business deal, and swore out a warrant for Wachter's arrest. It was a misunderstanding. The warrant was then withdrawn. But it was only last year that Wachter discovered that that crucial fact had not been entered on his record for nearly thirty years.

HARRY WACHTER. A report came back stating that there was an FBI record that I was a fugitive from justice back in 1947, and nothing else was said on the FBI report. I have this record from the Arkansas Police Department, and it says, "We show no records whatsoever on this man."

It seems to me like, if the FBI gets a report that I have been arrested for a specific, for a definite matter, that they should have followed through with a disposition.

FRANK REYNOLDS. Professor Alan Westin headed a National Academy of Sciences project which studied the National Crime Information Center.

ALAN WESTIN. The courts themselves are in a morass as far as effective record keeping practices are concerned, so that the, very frequently, police departments and courts having other priorities and being under a great deal of pressure simply do not keep these dispositons properly reported and keep them up to date.

FRANK REYNOLDS. The FBI places full responsibility for the accuracy of its arrest information on state and local police departments. But surveys show that up to twenty percent of state files are inaccurate or outdated.

Producer Paul Altmeyer and I spoke with FBI Director Clarence Kelly.

Mr. Kelley, most of us, I think have the impression of the FBI as a super efficient organization. Why is it not possible for you to include disposition of arrests and charges made against people on records that are submitted around the country, to these various law enforcement agencies?

CLARENCE KELLEY. I am very thankful that you make the statement that we're reputed to be super efficient, and I assure you that when we get a disposition, we do put it on the man's record. But we have had extreme difficulty in getting anywhere near one hundred percent compliance with our request that all dispositions come in. The law enforcement organizations just simply do not respond as they should.

ANNOUNCER. Document. A study of the FBI's National Crime Information Center . . . from a letter from the Comptroller General of the United States . . . Quote, "Data is not available to indicate how computerized criminal information history has been used."

CLARENCE KELLEY. Yes, there is some dispute as to the security and to the breadth of the information within that data bank which is under some dispute.

FRANK REYNOLDS. What can you do about it?

CLARENCE KELLEY. I think that there should be, of course, a recognition of individual rights, and you should confine yourself to that information which is helpful in the performance of your duty as a law enforcement person.

FRANK REYNOLDS. But is it your view that mainly a record of serious crimes or serious offenses should be kept, let's say, in the NCIC?

CLARENCE KELLEY. In the NCIC, they are serious crimes.

FRANK REYNOLDS. Well, how serious is a serious crime, Mr. Kelley?

CLARENCE KELLEY. May I, in this event, ask an authority to answer it, and Mr. Wason Campbell is the Assistant Director in charge of our computer operations. And would you answer that, Mr. Campbell?

WASON CAMPBELL. I'd be happy to. Yes, the offenses, of course, are . . it is limited to serious offenses.

PAUL ALTMEYER. It's my understanding that there are four hundred and twenty crimes under serious crimes, and these include such things as non-support and nonpayment of alimony. Is that true?

WASON CAMPBELL. They are there yes, now. We are in the process of looking at the offenses which should be included, or to put it another way, offenses that perhaps should not be.

FRANK REYNOLDS. Massachusetts created a Privacy and Review Board to screen the information in its own system, after it discovered more than seventy-five state and private agencies, and other individuals, had access to criminal history records. We spoke with Governor Francis Sargent who has refused to allow his state to share criminal history information with the FBI until safeguards are built into the system.

GOV. FRANCIS SARGENT. We found a number of mayors that were directly going to the records. We found local housing authorities that were going directly to the record, a variety of different insurance companies in Massachusetts could go directly to the records, and all sorts of credit companies. And I don't think this is what criminal history records are all about.

FRANK REYNOLDS. What were the mayors going to the records for?

GOV. FRANCIS SARGENT. I can't understand. I can't understand why they would or why they should.

FRANK REYNOLDS. Well, these records really are a potential source of blackmail, aren't they?

GOV. FRANCIS SARGENT. They are conceivably, yes.

FRANK REYNOLDS. The case of Bill McLain, a former administrative assistant to Congressman Barry Goldwater, Jr., has amazed McLain and Goldwater, and has puzzled the FBI. McLain returned with us to this Los Angeles Federal Building, where he and Congressman Goldwater had earlier been invited to the FBI Field Office. The then Special Agent in Charge, Wesley Grapp, asked McLain for his driver's license number and punched it into a terminal.

BILL MCLAIN. And to my great shock and amazement, back out of that teletypewriter came a long laundry list of my whole life's history. It listed specific things like where I'd lived. I lived in San Diego and San Francisco and here in Los Angeles; had every address while I was in school; every address, apparently since I was eighteen years old; had my wife's background, where she had lived; my children, where they were born and where they lived; it had information about, detailed information about my education; it had information regarding my military activity which I was even more surprised to see, because military service jackets are supposed to be confidential information; it had information about government loans, which, again, by statute, are supposed to be confidential; it had information about my California driver's, driving history.

Representative BARRY GOLDWATER JR. (R.-Cal.). I was impressed by the thoroughness and efficiency of the FBI in the job that they have to do, but it wasn't until later that it really struck home, and I really sat down and started thinking about the implications of the computerability of the FBI or any agency of government.

FRANK REYNOLDS. Now, is it proper for the FBI to have all of this information?

CLARENCE KELLEY. Where did this information come from?

PAUL ALTMEYER. That's the question.

CLARENCE KELLEY. I mean, but where? Over some sort of a computer network?

FRANK REYNOLDS. Yes.

CLARENCE KELLEY. Well, I frankly don't see how anything like that could possibly come over our computer network.

WASON CAMPBELL. That just could not be. We do not have that kind of information. It is not computerized. And the story is a bad one.

Representative BARRY GOLDWATER JR. The Bill McLean incident fired the, or fueled the fire that made me convinced that we in the Congress need to establish standards and regulations to prevent the potential abuse.

WASON CAMPBELL. I will be pleased to pursue it and show you wherein it has no basis.

PAUL ALTMEYER. Does a data bank such as that exist, with information on it, such as that?

WASON CAMPBELL. I do not know that.

CLARENCE KELLEY. I'm not going to say that it's not true, but I'm going to say that it is highly unlikely.

FRANK REYNOLDS. We went back to McLain and Congressman Goldwater and told them of the FBI's reaction. Congresman Goldwater then wrote to us: "Let me once again verify the tour. An extensive list of information came back. Amongst the information was his driving record, some historical data on his wife, and information on a contested will." We then again contacted the FBI. They said such information is not stored at the NCIC, adding that—quote—"We have no explanation for the basis of their claim."

Prof. ALAN WESTIN. If you think about all the files that are kept by the criminal justice and law enforcement agencies, one way to think about it is that it's kind of an hors d'oeuvres tray of information. Depending on who you are in the criminal justice system, and what kind of access you have, you can pick and choose what kind of information you want to get.

FRANK REYNOLDS. In researching this ABC Closeup, and prior to filming, Associate Producer Richard Gerdau, visited the FBI's computer center where he saw one drawer on a computer program file, labeled "Security Index." When ABC News went back to film, the label had been removed. It is the middle drawer on the right.

PAUL ALTMEYER. Mr. Kelley, what is the "Security Index?"

CLARENCE KELLEY. The Security Index is a listing of persons who may well be considered as possible security subjects or who have been convicted of security violations.

PAUL ALTMEYER. How many people are on that list?

CLARENCE KELLEY. I do not know. There is nothing ominous about it at all. It is just that within the organization there is a classification of various offenses.

PAUL ALTMEYER. Does one have to have a criminal conviction to make the Security Index?

CLARENCE KELLEY. No . . . no . . . no.

FRANK REYNOLDS. Who makes the judgment, then, Mr. Kelley? Is it sufficient . . .?

CLARENCE KELLEY. Well, of course, you're in . . . actually, the determination as to whether or not a person is a suspect in this type of thing is one wherein it, it, goes through several levels, from the agent who first has the information through the supervisor through the assistant agent in charge, on through to people here at the Bureau. We realize that sometimes this has an impact which is not warranted by actual facts. And we're looking this over. As a matter of fact we're looking over the entire security field, to bring it more in line with, with the observances of the rights and privileges of people. We should not be a part of anything that might put a taint on a person carelessly. And I'll admit that, well, this may have been the impact but it certainly wasn't the intention.

FRANK REYNOLDS. After this interview, the FBI informed us Director Kelley had been in error. The FBI says that the Security Index was discontinued in 1971, and that the computer program file contained blank cards. The Security Index listed those people who would be arrested and interned in the event of war or "an internal security emergency."

ABC News examined the computerized record keeping system of one big city police department, Kansas City, Missouri.

Project Alert, as it's known, is considered one of the leading police computer systems in the country.

Designed as a municipal system, by then Police Chief Clarence Kelley, it has grown into a vast regional network, covering about ten thousand square miles of western Missouri and eastern Kansas. It links local, county, state and federal law enforcement agencies. We inquired about information gathered on four categories of persons—"mentals," "militants," "activists" and "associates." Melvin Bockelman, Manager of the Project Alert Computer System.

MELVIN BOCKELMAN. "Militants" . . . I think we have to recognize that we've gone through some trying times in our history. And during this period when the crime indices were rising back in the 1960's, they were very active, and it was considered useful information to computerize this.

PAUL ALTMEYER. But a "militant" need not have been convicted of a crime?

MELVIN BOCKELMAN. No, that is correct.

FRANK REYNOLDS. In the course of ABC News' examination of Project Alert, persons classified as "mentals," "militants," or "activists" were removed from the computer. Kansas City's new Police Chief, also established a committee to review on a monthly basis, information stored in the Project Alert computers . . . Chief Joseph McNamara . . .

Chief JOSEPH MCNAMARA. One example that comes to mind is that the hospitals had requested that we keep certain information on people who had received treatment for mental problems, mental disorders. Now, we had an embarrassing situation when we discovered that, inadvertently, these people had been listed as escapees from mental institutions, when, in fact, that was not true at all. And so we just purged all of that information from the computer. The initial tendency, of course, is to put in all of the information, feeling that we're using it for a legitimate and beneficial purpose of public protection.

FRANK REYNOLDS. This is a "Field Identification Card." It is made out by Kansas City Police on someone called an "associate." It contains room for more than two hundred fifty personal entries. We rode one night with Sgt. Gary Schmidt, and asked about the "Field Identification Card."

Sgt. GARY SCHMIDT. If I stop a car out here, like this car right ahead of me here, and find out there he is a convicted felon, we have a procedure whereby we fill out an FIC card, stating where we stoppped him, what he was doing, and the associates that were with him.

PAUL ALTMEYER. A convicted felon is supposed to associate only with law-abiding citizens. Isn't it creating a stigma on a law-abiding citizen?

Sgt. GARY SCHMIDT. Well, not really, I don't think. I don't think it creates a stigma on the law-abiding citizen . . .

PAUL ALTMEYER. . . . to be known as an associate of a convicted felon?

Sgt. GARY SCHMIDT. Yes . . . like I said, I don't know whether this information, when it goes into the computer, but if it would go into the computer, and the man that was riding in the car had never been arrested or never had a record, I don't think I would condone that.

FRANK REYNOLDS. In the course of ABC News' examination, the information gathered on "associates," persons perhaps not convicted or even accused of any crime, was removed from the computer. But we discovered that the records on "associates" are still maintained in written form here at the department's Criminal Intelligence Center. Chief McNamara . . .

Chief JOSEPH MCNAMARA. We feel that this is appropriate for law enforcement to do things like this, to have certain information. We have a great need to know about certain information even though it's not based on past criminal convictions.

FRANK REYNOLDS. The second area we examined—the security of the Kansas City system. This is Lenexa, Kansas. In 1970, the Lenexa Police Department joined the Kansas City Police Department's Project Alert. The then police chief went to major businesses and apartment house owners and offered to check out prospective employees and tenants for criminal history records. At least thirty-two people were barred from working or living in Lenexa. Former Lenexa Police Chief, David Gellatly.

PAUL ALTMEYER. Were you reprimanded by the Kansas City Police Department?

DAVID GELLATLY. No.

PAUL ALTMEYER. Was any suggestion ever made that Lenexa would be removed from Project Alert?

DAVID GELLATLY. No, sir.

ANNOUNCER. Document: Testimony from Clarence Kelley at his confirmation hearing as Director of the FBI, commenting on the Lenexa incident. Quote. . . . "he was reprimanded for that and they were advised that any further such violation would mean that the terminal would be taken away from the Lenexa Police Department."

FRANK REYNOLDS. Mr. Kelley, you say that disciplinary action was taken aganst the officer?

FBI Director CLARENCE KELLEY. Yes, sir.

FRANK REYNOLDS. He says nothing happened to him at all.

CLARENCE KELLEY. Is that rght?

FRANK REYNOLDS. Yes.

CLARENCE KELLEY. Well, it was my understanding that disciplinary action was taken against him, and, furthermore, that the terminal in that department, was—the Chief was informed that if there be any such activity persist that they would be removed from the line.

I was not party to the reprimand nor to any disciplinary action, so unquestionably you are right, and just that I was given the wrong information.

PAUL ALTMEYER. Did you continue the practice after that

DAVID GELLATLY. If someone asked, yes, we'd do it. But due to the publicity, the, apartment—you have to keep in mind that the apartment managers caught some heat over this—also—so consequently our requests for this type of information virtually came to a halt.

PAUL ALTMEYER. But if the request were made, you would continue to do it?

DAVID GELLATLY. That's correct.

FRANK REYNOLDS. The Attorney General of Kansas ruled, in this decision, that under Kansas law, the Lenexa Police Department could give out this information legally, even though it was a clear violation of the rules of Project Alert. This is a vivid indication of legal and procedural problems that occur when police computer systems spread across state boundaries.

The weakest link in the security of any computer system is the human element. On two separate occasions, ABC News was able to gain access to a Project Alert Computer terminal and punch into the computer. While a violation of Police Department rules, it is not a violation of the law. Producer Paul Altmeyer explains . . .

PAUL ALTMEYER. We asked the Jackson County Prosecutor only for permission to film around his office. We made contact with a middle level official in the prosecutor's office and convinced him to let us use their computer terminal. We did this twice, at 8:00 a.m. when the office was nearly empty. We learned the code to the computer with relative ease. We gained access to information in it with even greater ease.

FRANK REYNOLDS. The information on the computer printout is clearly labeled "For Official Use Only Within The Criminal Justice System." As a test, Altmeyer punched in the name of Kansas City Mayor Charles Wheeler. His criminal history record showed he had

been twice guilty of violating the Kansas City dog ordinance. We informed both Mayor Wheeler and Police Chief McNamara that we had gained access to the computer.

Chief JOSEPH MCNAMARA. Well, we . . . we will take this and trace it back to the terminal in which it was used and determine whether or not it was a violation of . . . of the standards which we set. But this kind of a violation we would take direct action against and we can trace this back to see who was operating the terminal and why, in fact, that was done. Now, sometimes we can do things like this as a test, but you yourself punched this in?

PAUL ALTMEYER: Yes.

Chief JOSEPH MCNAMARA: I see. Well, we can trace this back and find out who allowed you to do this and if they allow anything like this to occur again, we would cut off their access to the computer.

FRANK REYNOLDS: Only a warning was issued to the prosecutor's office. No further action was taken. Later, we learned the prosecutor, himself, had the terminal removed because of "light usage" and "difficulty in maintaining security control." No subscriber has ever been removed from the Project Alert system for a security violation. For that matter, no subscriber has ever been removed from the FBI's National Crime Information Center for a violation.

EPILOGUE

Prof. ALAN WESTIN. The right to privacy is the right of each individual to decide what information about himself or herself should be shared with others.

Representative BARRY GOLDWATER. It is not a partisan issue. It's something that all Americans should be concerned about.

FRANK REYNOLDS. Understandably most of us feel rather helpless in the face of all these records, wondering what's in them and most importantly who has access to them.

Tonight we examined only some of the government files on us—you and me—and we have discovered there are some things that can and must be done.

Congress is now considering legislation to establish tighter controls over arrest records, the information on those records and who has access to them. This legislation is long overdue. Technology has made it far too easy to collect information. Technology, however, has not improved the accuracy of such information.

We asked law enforcement officials who is a pre delinquent. We received no satisfactory answer . . . perhaps because there is none.

Clearly, there is an urgent need for Congress to investigate the record-keeping practices of these so-called "pre delinquent" programs.

If you're a parent demand to know what's in your child's school record and who has access to it.

The states must guarantee parents legal access to their own children's school records and at the same time protect the confidentiality of those records.

During the course of our investigation we've seen some official changes take place. The Defense Department abolished those SPN numbers. But there are still half a million veterans tainted with unfavorable numbers. The Defense Department has a responsibility to inform them.

Just two days ago a federal court ruled that the FBI has the responsibility to expunge the record of a person who has been detained by the police and then exonerated.

The decision was a wise one and a first step in bringing legal order to a bureaucratic nightmare.

Government must maintain records. But no government, no police department, no school system, no armed service has any right or legitimate reason to brand any citizen without the citizen's full knowledge.

In the end the purpose of government record-keeping should be to protect, not restrict, the citizen's rights.

This is Frank Reynolds. Good night.

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THE ROLE OF JOHNS HOPKINS IN CONTEMPORARY SOCIETY

Mr. MATHIAS. Mr. President, one of the roles played by our Nation's universities is increasingly that of serving as a "microcosm" of the rest of society. For, in spite of the belief held by many that a university provides for its students an "ivory towered" existence, it is becoming more and more difficult in these days of rapid transportation and communication to shut out the events of the surrounding world. Those happenings which have the greatest impact on the community at large—be they war, inflation, or corruption in government—cannot help but have their repercussions on the inhabitants of a university.

Yet, this is not an entirely negative situation. For because it is a microcosm, the university society can afford the luxury of confronting and dealing with issues in a manner in which the "outside world" cannot afford to do, thus, in a sense, acting as a testing ground for new approaches and solutions to problems. This fact holds particularly true in the case of some of our more noteworthy institutions of higher learning, such as the Johns Hopkins University. In a recent speech given before a Johns Hopkins University dinner by Ambassador Linowitz, a Hopkins trustee, the concept of the role of Johns Hopkins in contemporary society is explored in depth.

Mr. President, I ask unanimous consent that Ambassador Linowitz' speech be printed in the RECORD.

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

REMARKS BY SOL M. LINOWITZ

I am very pleased to be here with you and to have this opportunity to say a few words on behalf of one of America's great educational institutions which I have the high honor to serve as a Trustee. Perhaps you can remember the time not too long ago when the three major problems of a university were said to be football for the alumni, sex for the students and parking for the faculty. My impression as a Trustee is that Johns Hopkins is doing very well with everything except football.

Today the hard fact is that the major problems confronting a university such as Johns Hopkins can only be described as the great problems of our society and our world. For as you know so well, we are living at an anxious, uncertain, fearful time—a time of paradox, when we have learned to achieve most and to fear most—a time when we seem to know much more about how to make war than how to make peace—more about killing than about living. It is also a time of unprecedented need and unparalleled plenty—a time when great advances in science and technology are overshadowed by vast achievements in instruments of destruction. It is a time when we fear not the primitive or ignorant man, but the educated and technically competent one, who has it in his power to destroy civilization. And it is a time when we see men walk the moon yet are reminded of Santayana's words that men have come to power who "having no stomach for the ultimate burrow themselves downward toward the primitive".

It is also a fateful time. In the past, men have warred over frontiers. They have come into conflict over ideologies. They have fought to better their daily lives. Today, however, each crisis overlaps the other and we find ourselves in an upheaval that touches upon every phase of our existence.

Part of the upheaval is as old as poverty itself. Part is as new as a walk in lunar space.

Here at home we are affected by a profound discontent that I think has no parallel in our history. I am not talking about Watergate, but about a malaise which is far deeper and far more pervasive. The fact is that in this nation, at this time, blacks, browns and whites, blue collar workers and white collar workers, young and old, city dwellers and housewives, businessmen and consumers—almost without exception Americans feel themselves confused, frightened and concerned. They feel themselves at the mercy of forces they cannot influence or understand. Somehow, from the point of view of the individual citizen, whoever he is, the illusive thing called "the system"—this whole network of arrangements and institutions that determines the character and quality and often the content of our individual lives simply doesn't seem to be working. So we find ourselves with a sense of institutional paralysis on the one hand and an individual powerlessness on the other—a crippling and corrosive combination that no society can long endure.

As one contemporary commentator put it: "Our kinship today is not so much with the year 2000 as with the year 1776. We are back to the basics of trying to organize a new society and providing for its governance—to the very basic questions about how our society and systems are to function".

If we are to regain a sense of purpose for the future—no institution in our society can play a greater role or offer wiser guidance than a university such as the one to which we do honor this evening. For if a university stands for anything, it stands preeminently for faith in reason rather than in dogma, in rationality rather than inevitability, in the free rather than in the enslaved mind. A university is our shining response to the prophets of doom, to the demagogues, to the bigots, to the breast beaters. In a university we confidently reaffirm our belief in America as a place dedicated to the fulfillment of the American dream. At a university the businessman, the poet, the farmer, the philosopher, the artist, the doctor, the lawyer all of us can work together in mutual respect to help make that dream more of a reality.

Adlai Stevenson once said that what we desperately need in the world is to find a way to humanize the scientists and to simonize the humanist. In a deep sense I think that is the goal to which Johns Hopkins is uniquely committed at what may well be a unique moment in our history.

Our age has properly been called both the Age of Science and Technology and the Age of Anxiety. Both are true for indeed one feeds upon the other. As our scientific and technical competence has increased so have our doubts and anxieties. So we confront the

challenge of how to harness our technology to help us move toward the kind of society and the kind of world we want. The obvious fact is that technology in and of itself is amoral. It becomes "good" and "bad" depending on what we do with it. An automobile can transport you or kill you. So can an airplane. Nuclear energy can blow us up or give us unlimited energy to reach unlimited horizons. Television can bring us Leonard Bernstein or Tiny Tim.

In short, the real challenge of modern technology is not *whether* to use it, but *how* to use it to accomplish what we want. For obviously, it means little to have achieved revolutionary new advances in communications if people will not communicate; to have perfected new ways to make freedom richer, if people remain enslaved; to have brought out of the laboratory new ways to sustain life, if our greater concern is with how to spread death.

Throughout history, technological changes have brought immense benefit to human society. Technological advances have meant reduction of hunger and disease, abolition of slavery, relief of bondage, extension of human life. They have led to improvement in human welfare and alleviation of human and social needs. Even today, with all of our pollution and depredations, we have only to put the human degradation and exhaustion in primitive societies, side by side with the comfort and decency, even in a megalopolis. And it is worth recalling, as someone not too long ago reminded us, that 90% of the medical prescriptions being written today could not have been filled 20 or 30 years ago because the ingredients were then unknown.

So the real question is whether we can put our technology to right use in order that we may communicate faster, spread truth more quickly, bring aid more effectively, and advance progress and civilization more efficiently.

The new technology can also mean much to our whole program of education. For if one thing is certain, it is that the advanced technology depends on the educated man to create it, to make it work, to keep it running, to improve it. The narrow craftsman will no longer be able to manage things in a technological society. Progress in this kind of a society and economy will depend more on education than on all the other traditional criteria of an authoritarian society, such as family, social position, inheritance and the like. For only the properly educated will be qualified to understand and to take the responsibility for decisions.

One magnificent by-product of the new technology could therefore be to impel us toward a far better educated, and therefore a stronger, democratic society than ever before. Such a citizenry can begin to fulfill the true potential of a democracy. It will demand governmental representatives able to deal wisely with the complex problems of the new age in such areas as space, energy, defense, regulation of industry, commerce, labor and the whole world around us. It will be less apt to be intimidated by the name-caller, the tub-thumper, the breast-beater, the rumor monger. It will be able to understand far better why democratic institutions must be cherished and strengthened.

To lead us in that direction we are going to need from our great universities, in both the public and private sectors, young men and women of breadth and perception who will understand where we have been and where we are going, who will know about the kind of world in which we live and the kind of future we are trying to achieve. We will need, in business and professions as in our public life, men and women who will be able to communicate with one another and with other people and with other places; people who will know how to transmit and stimulate ideas; who will recognize that things human and humane are even more important than the computer, the test tube or the Xerox machine; who will understand that "know why" is even more important than "know how"; who will try to see our problems as part of total human experience; and who will be able to understand something of what yesterday teaches us about today and tomorrow. In short we will need young people who will be able to dream dreams and who will be unafraid to try to make them come true.

Johns Hopkins is singularly qualified to bring forth such men and women to assume positions of leadership and responsibility. And nothing is more precious to our future than that such a university be enriched and strengthened to enable it to make its greatest contribution.

It is not becoming for me to talk to you about the role of Johns Hopkins in your community. As you know so much better than I, The Johns Hopkins University and Hospital play a vital role in reaching out to the community broadly. I have been to the Hospital and have seen for myself its readiness to minister with skill and compassion to those in need and pain. Neither Johns Hopkins nor any other university has a magic wand to wave over society, nor does it have a silver bullet to prescribe for a society's ills. But it can and does bring, in addition to its educational and cultural strengths, something which only a great university can bring—a sense of time, a sense of place, a sense of the order of things and recognition that the world was here yesterday and will presumably be here tomorrow.

As we look toward that tomorrow, I think we may be on the verge of creating the first free society in the whole history of the world. By that I mean the creation of a society in which man is really capable of basing all of his choices and actions on understandings which he has himself achieved and on values which he embraces for himself. The free man in the free society is aware of the basis on which he accepts propositions as true. He understands the values by which he lives, the assumptions on which they rest and the consequences to which they lead. The free man is the rational man and the degree of his freedom is the degree of his grasp of himself, his environment and the relation between himself and his surroundings.

Freedom today has the boundaries of prejudice and ignorance, and only those boundaries. I believe we may become a great society and a free society because we have a real opportunity to eliminate those boundaries.

Johns Hopkins can do much to help bring into being that kind of a free society, that kind of a great society. And in so doing it will be fulfilling that vision of a great university which John Masefield once eloquently described in these words:

"There are few earthly things more beautiful than a university. It is a place where those who hate ignorance may strive to know, where those who perceive truth may strive to make others see; where seekers and learners alike, banded together in the search for knowledge, will honor thought in all its finer ways, will welcome thinkers in distress or in exile, will uphold ever the dignity of thought and learning and will exact standards in these things. They give to the young in their impressionable years the bond of a lofty purpose shared, of a great corporate life whose links will not be loosed until they die. They give young people that close companionship for which youth longs, and that chance of the endless discussion of the themes which are endless—without which youth would seem a waste of time."

"There are few earthly things more splendid than a university. In these days of broken frontiers and collapsing values, when the dams are down and the floods are making misery, when every future looks somewhat grim and every ancient foothold has become something of a quagmire, wherever a university stands, it stands and shines; wherever it exists, the free minds of men, urged on to full and fair enquiry, may still bring wisdom into human affairs."

RETIREMENT OF SENATOR PAUL J. BAILEY

Mr. MATHIAS. Mr. President, one of Maryland's most distinguished public figures, State Senator Paul J. Bailey, is retiring this year after a noteworthy career in local and State government. Throughout his years of public service, which began in 1933, Paul Bailey has been an effective spokesman for and representative of the citizens of St. Mary's County, his home since birth. At the same time, he has taken a leading role in formulating public policy on the major issues of the State. He has done all this with intelligence, grace, and good humor. While he no doubt will be heard from in retirement, his decision to formally leave public service leaves a void in the government of Maryland.

Mr. President, the Enterprise, a newspaper published in Lexington Park, Md., in Paul Bailey's home county, contained an article in its April 18 issue that reports his retirement plans and includes the text of a resolution adopted by the General Assembly. I ask unanimous consent that the article be printed in the RECORD.

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

STATE GENERAL ASSEMBLY LAUDS SENATOR BAILEY ON HIS RETIREMENT

The Maryland Legislature has honored Sen. Paul J. Bailey (R-St. Mary's, Charles) who served his last day in the Senate last Monday when the General Assembly adjourned. The senator has announced he will retire.

In a resolution introduced by Charles County Del. Loretta Nimmerrichter and Calvin Compton, both Republicans, as is Bailey, the senator is honored for his service and wit while in the legislature.

He served in the Senate from 1947 to 1955 and from 1967 through 1974, a total of four terms. From 1959 to 1966 he served as a member of the State Roads Commission. Bailey never lost an election.

(Del. Nimmerrichter has filed for the Senate seat representing Charles and St. Mary's counties that Bailey is vacating.)

The resolution is as follows:

A House Joint Resolution concerning Paul Jacob Bailey:

For the purpose of expressing the respect and affection of the General Assembly for Sen. Paul J. Bailey of St. Mary's County upon his announced intention to retire from legislative service.

The members of the General Assembly have learned with much regret of the announced intention of Sen. Paul J. Bailey to retire from legislative service at the conclusion of his present term of office.

Paul Jacob Bailey is a native of St. Mary's County, Md. He is an attorney of long standing, having been a member of the bar of the Court of Appeals of Maryland since 1935.

Earlier, and as a part of his background that is not generally known, he was an outstanding musician. Thus, from 1928 to 1930, he served as a soloist with the U.S. Navy Band. He is a former member also of the famous Meyer Davis orchestra. He still retains a life membership in the District of Columbia Federation of Musicians, Local 161.

In his public life, Paul Bailey was a justice of the peace in St. Mary's County from 1933 to 1937. He was a member of the State Roads Commission from 1959 to 1966. His membership in the Senate of Maryland covers the period from 1947 through 1955 and also the period from 1967 through 1974.

What can one say about Paul Bailey? Plenty.

We know him as an unrivaled and unequaled character. Suave and good-humored, he is a raconteur and spinner of marvelous yarns. He inevitably and by general consent becomes the center of any social group.

Blessed with an infectious and rollicking sense of humor, Paul Bailey has always the ready quip and the delightfully barbed rejoinder. We love his homey and self-illustrated notes with their pert, pithy and pungent comments on the passing scene. Everytime he comes to town with shoes on and complains "my feet are hurting something terrible" is as funny as the first hundred times we heard it.

Yet all this is facade and window dressing that cannot hide the real Paul Bailey. We who know him well see the inner man as a learned and brilliant legislator. He has been a skilled debater and, in the rough and tumble of legislative controversy, an opponent worthy of his mettle. We know him as one who quickly can come to the heart of an issue and strip off the external trappings to reveal the inner problem.

Paul Bailey is an orator without peer in the Senate of Maryland. How often have we seen the Senate gallery packed upon an advance announcement that "Sen. Bailey is to speak tonight." He speaks with vigor and force, making effective use of the tools in the arsenal of the professional orator driving home his points with logic, humor, gentle ridicule, homely anecdote and quick repartee.

The Senate of Maryland, the State of Maryland, the 184 members of the General Assembly will miss Paul Bailey.

It is then with much respect and affection that we record for our legislative posterity that this General Assembly, State of Maryland and all of Southern Maryland are the better for his presence, his learned contribution, his sparkling wit, his kind and genial philosophy; now, therefore, be it

Resolved by the General Assembly of Maryland, That under the Great Seal of the State of Maryland, the secretary of State is requested to send copies of this resolution to Sen. Paul Jacob Bailey; and be it further

Resolved, That the two presiding officers of the General Assembly, the Hon. John Hanson Briscoe and the Hon. William S. James, are requested personally to assure our great, good friend from St. Mary's County of his firm place in the memories and admiration of a whole generation of colleagues in the General Assembly.

NOT THE WORST OF TIMES

Mr. MATHIAS. Mr. President, I frequently speak to students, and usually find them as well informed and concerned as any other groups with whom I meet.

James J. Kilpatrick, a man who shares with me a deep affection for this Nation's history, has also been meeting with students. A recent column which appeared in the Washington Star-News of May 1, tells of one such occasion. I find his defense of this country's stability heartening, and I ask unanimous consent that it be printed in the RECORD.

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

NOT THE WORST OF TIMES

(By James J. Kilpatrick)

KNOXVILLE, TENN.—For the better part of two days, we had been talking—I had not realized how somberly we had been talking—of what is wrong in America today. A student on the front row asked the last question of a long evening.

"What makes you think America will survive, when everything is crumbling around us?

I paused before attempting an answer. I was spending several days with students at the University of Tennessee's College of Communications. The young men and women, prospective reporters and broadcasters, had been most interested in Watergate, impeachment and the various crises that dominate the news—crises in the economy, in the environment, in the supply of energy. They were uneasy about Big Brother government.

They were not afraid of the future, but they were depressed that nothing seems to be working right. Why did I think America would survive?

Virginia abounds with historic shrines. The most moving of these is the old ruined church at Jamestown. If one goes there early in the morning before the tourists come, or late in the evening after the crowds have gone, when only the shorebirds are moving and a mist obscures the river's farther bank, one understands: This is where it all began.

Here our forefathers brought their small ships, faced the perils of starvation and disease, defended their pitiful company from the Indians, and refused to give up. They survived.

One hundred and sixty nine years later, in 1776, another generation embarked upon a fateful revolution.

The infant republic fell into political turmoil under the Articles of Confederation. Everything seemed to be crumbling. Out of the chaos came the Constitution of 1787, the greatest work of political art ever carved by the hand of man, but the Constitution barely won ratification.

I suggested to the Tennessee students, concerned about contemporary perils to a free press, that they remember the Sedition Act of 1798. A terrible-tempered justice of the U.S. Supreme Court, a man bloated on power, upheld that incredible law. Editors went to prison, newspapers were closed. Freedom of the press seemed doomed. But a free press survived.

The American nation went through the War of 1812, saw its capital in flames, and emerged from that perilous hour to plunge a few years later into the sundering conflict of nullification. The odious practice of human slavery became intolerable. The Union tore itself apart in four years of bloody civil war. Men said the nation would never survive. It survived.

The passions of war could not be calmed. Andrew Johnson was impeached, tried by the Senate, barely acquitted. The South groaned under Reconstruction. The nation reeled under the scandals of successive administrations.

In 1876, the office of the presidency itself was bartered off in a political deal.

We fought our way through a bloody world war, a presidential scandal, a market crash, a fearful depression. Dust storms blew half of Oklahoma away. A fourth of our wage earners were out of work. We saw bread lines and soup lines and old men selling apples on the street.

Very well, I said to the students, Watergate is bad; inflation is bad, and the environment is polluted. If Mr. Nixon is impeached, the Republic will shudder. We will know political convulsion. But look back! Look back!

These are not the best of times, but these are not the worst of times either. It is absurd to suppose that having come through so much, America will crumble now. Survive? Of course we will survive.

OMB IMPOUNDMENT REPORT

Mr. METCALF. Mr. President, the Office of Management and Budget has released its most recent report on impounded funds. This report covers "budgetary reserves" as of April 20, 1974. Six reports have now been made pursuant to the Federal Impoundment and Information Act of 1972, as amended.

Over the past 2 years frequent criticism has been directed toward these reports. We first experienced difficulty in even obtaining them. Congress had to pass a law setting a deadline for the first one. Later we passed another law establishing four deadlines a year.

There were a number of serious omissions in the early reports. The most striking was the failure to include $6 billion withheld from the clean-water program. Obscure codes were used by OMB to explain why funds were withheld. Another code, just as obscure, was used to estimate the fiscal, economic, and budgetary effects of impoundment actions.

Recent reports by OMB have shown marked improvement. The introduction to the report has been expanded to cite a number of administrative actions which are not technically "budgetary reserves," but have similar effects in withholding funds from obligation and expenditure. Thus, the introduction discusses the administration's decision to withhold from allotment a total of $9 billion in clean-water funds—$3 billion each for fiscal years 1973, 1974, and 1975. A separate paragraph describes the unique funding arrangement for certain housing programs. The introductory material also includes a table showing $322 million in HEW funds withheld pursuant to statutory authority.

This amplification in the introductory part of the quarterly report is a welcome development. It makes the report more useful, more serviceable to Congress and the public.

However, the report still suffers from some of the same weaknesses identified by several Members of Congress. The "reasons" for impoundment—attachment B of the impoundment report—are wholly inadequate. The code system used therein is an effort to rely on a few general descriptions when what we really need is specific justification—or no impoundment. The same "reason" cannot be used to cover a multitude of highly differentiated programs. Nor do I find the second code in attachment C useful in describing the estimated fiscal, economic, and budgetary effects of impoundment actions.

I trust that OMB will continue its effort to transform this report into a comprehensive—and comprehensible—document.

Mr. President, I ask unanimous consent that this report be printed in the RECORD, along with the May 3 cover letter from OMB Director Ash to Vice President FORD.

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

OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., May 3, 1974.

Hon. GERALD T. FORD,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: The enclosed report is submitted pursuant to the Federal Impoundment and Information Act, as amended. In accordance with that Act, the report is being transmitted to the Congress and to the Comptroller General of the United States, and will be published in the Federal Register.

Sincerely,

ROY L. ASH,
Director.

BUDGETARY RESERVES AS OF APRIL 20, 1974

THE APPORTIONMENT AND RESERVATION OF FUNDS PROCESS

The Antideficiency Act (31 U.S.C. 665) requires, with certain exceptions, that all appropriations, funds, and contract authority be apportioned so as to: prevent obligation of funds in a manner which would require deficiency or supplemental appropriations; achieve the most effective and economical use of amounts made available; provide for contingencies; and effect savings. The Act also requires that apportionments shall be reviewed at least four times each year, and it authorizes reapportionments and the establishment of reserves. The authority granted by this Act is exercised by the Director of the Office of Management and Budget under authority delegated by the President.

Apportionments specify the amounts that may be obligated during specific time periods, usually within the current fiscal year. In some cases, specific provisions of law provide that funds should be available over a period longer than one year. In cases where the amount of contract authority available a year in advance is specified by law, a distinction is made in the accompanying report (Attachment D) between the 1974 and 1975 programs.

The practice of withholding some amounts —"reserving" them—from apportionment, either temporarily or for longer periods, is one of long-standing and has been exercised by all recent administrations as a customary part of financial management. The Antideficiency Act authorizes the withholding of funds from apportionment to provide for contingencies or to effect savings made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the able. When funds are, by law made available beyond the current fiscal year, they are generally not fully apportioned in the current year. The unapportioned part is withheld to be released later for use in subsequent years, as required.

In some legislative and appropriation actions, the Congress has required the withholding of specified funds. For example, the 1973 Agriculture-Environmental and Consumer Protection Appropriation Act (Public Law 92–399) explicitly required that an amount be placed in reserve pending an administrative determination of need. In other cases, notably the 1974 Labor-HEW Appropriations Act (Public Law 93–192), Congress has authorized the withholding from obligation and expenditure of specified amounts or percentages of appropriated funds. A table showing the amounts withheld under Public Law 93–192 is Attachment A to this report. A similiar withholding was authorized by the 93rd Congress in the Agriculture-Environmental and Consumer Protection Appropriation Act of 1974. The Act provided an indefinite authorization to make insured loans in the Rural Electrification and Telephone Revolving Fund as follows (dollars in millions):

	Not less than—	Not more than—
Electric loans	618	750
Telephone loans	140	200
Total	758	950

The 1974 authority to spend debt receipts to finance loan activity was apportioned at the $758 million level.

In yet another case, Congress has made funds available only upon the arrival of certain contingencies. The 1974 Supplemental Appropriations Act (Public Law 93–245) sets aside a contingency reserve for the Interior Department's Office of Oil and Gas which is to become available only upon enactment of emergency energy legislation.

These Congressional directives are, however, the exception rather than the rule. Most reserves are established at the initiative of the Executive Branch and are based on operational knowledge of the status of specific projects or activities. For example, when a particular objective can be accomplished at less cost than had been anticipated when the appropriation was made, a reserve assures that savings can be realized and, if appropriate, returned to the Treasury. In other cases, apportionments sometimes await (1) development by the affected agencies of approved plans and specifications, (2) completion of studies for the effective use of the funds, including necessary coordination with the other Federal and non-Federal parties that might be involved, (3) establishment of a necessary organization and designation of accountable officers to manage the programs, or (4) the arrival of certain contingencies under which the funds must by statute be made available (e.g., certain direct Federal credit aids when private sector loans are not available). From time to time, reserves are established for the purpose of conforming to the requirements of other laws.

An example is the Executive's responsibility to stay within the statutory limitation on the outstanding public debt.

Most, but not all, funds provided by the Congress are subject to the apportionment process. Subsection (f) of the Antideficiency Act authorizes a series of exemptions. Temporary continuing appropriations are exempt from the apportionment process (Public Law 93–52, as amended, Section 103). Appropriations provided under such temporary continuing appropriation acts are usually indefinite in amount. In addition, some laws establish funding arrangements which are either outside the apportionment process or require Executive determinations before they become subject to apportionment. The Federal Water Pollution Control Act of 1972 (Public Law 92–500), for example, vests discretion in the Administrator of the Environmental Protection Agency to allot less than the maximum amounts authorized by the Act. (Whether the discretion exists at the allotment stage or at some later stage is now before the courts.) Under the provisions of the Act, authority to make contracts does not exist until the allotment is made. Consequently, fund availability (budget authority) exists only when allotments are made and only allotted funds move through the apportionment process. At this date, funds authorized by the Federal Water Pollution Control Act have been allotted on the following basis (dollars in billions):

Fiscal years	Authorized	Allotted	Unallotted
1973	5	2	3
1974	6	3	3
1975	7	4	3

Funding of certain housing programs of the Department of Housing and Urban Development (HUD) presents a unique situation with respect to the apportionment process. For five housing programs, the Congress provides commitment authority that allows the Secretary of HUD to sign long-term contracts requiring annual payments to specific housing units. The commitment authority is not subject to the apportionment (and thus the reserve) process since it does not represent obligational authority of a given year. Rather, it represents an authorization to enter into contracts which will result in a requirement for obligational authority (payments) in each of the years covered by the contract. Current plans anticipate that the commitments for annual payments will be some $299 million under the level made available by the Congress for four of these programs. If used, the $299 million of authority could result in outlays of up to $10 billion over the life of the contracts. As the payments under the contracts come due, they are met by annual appropriations (provided under the account "Housing payments" which also covers low-rent public housing). Thus, funds are only required to meet annual payments under the contracts. They are not required at the time the contracts are signed and are made available only when actually appropriated. Since reserves are established only on the basis of fund availability, and since funds appropriated for this program are needed for making payments at an early date, no reserves have been established for the subsidized housing programs.

The amount of funds apportioned or held in reserve at any one time is heavily dependent upon events both preceding and following initial apportionment actions. Key among the predecessor events is the passage of the annual appropriation bills. Apportionments for most Federal programs are made within 30 days of enactment of the appropriation bills. The earlier in the fiscal year these apportionments occur, the greater is the chance that reserves will accompany them. Early in the fiscal year, program and project plans are incomplete and allowances need to be made for contingencies which may occur later in the year. As administrative plans are completed and other events occur during the year, the need for reserving funds diminishes. Thus, for any one fiscal year, the amount in reserve is relatively low at the beginning of the year (reflecting primarily multi-year funds), peaks 30 days after passage of most of the appropriation bills, and then steadily diminishes as the end of the fiscal year approaches.

RESERVES AS OF APRIL 20, 1974

All but $3.1 billion of the $10.4 billion in reserve for 1974 is accounted for by reserve actions in three areas: Federal-aid highways ($3.4 billion), emergency security assistance for Israel ($2.2 billion which was released on April 25, 1974), and programs of the Department of Defense ($1.7 billion). Virtually all of the $6.3 billion in reserve for 1975 is in the Federal-aid highways account and other highway programs.

The reduction of $1.4 billion in budgetary reserves for 1974 reflects the completion of program and project plans since the February 4 report. Reserves have been maintained in some programs to await program development and to meet contingencies during the remainder of the 1974 program-year. In other programs, funds are being held in reserve to meet increased pay costs in the fourth quarter and thus eliminate the need for supplemental appropriations. In the case of programs which have been provided obligational authority beyond the current fiscal year, reserves have been maintained to ensure that funds will be available beyond FY 1974 as needed.

REPORT REQUIRED BY LAW

This report is submitted in fulfillment of the requirements of the "Federal impound-

ment and Information Act," as amended, which provides for a report of "impoundments" and certain other information pertaining thereto. This report lists the budgetary reserves that were in effect as of April 20, 1974.

The Antideficiency Act requires that all apportionments be reviewed at least quarterly, and that reapportionments be made or reserves be established, modified, or released as may be necessary to further the effective use of the funds concerned. Thus, in answer to item Number 5 of the Federal Impoundment and Information Act, the period of time during which funds are to be in reserve is dependent in all cases upon the results of such later review.

Attachment D lists, by agency, all accounts for which some funds are reserved. An asterisk (*) identifies those accounts added to the listing since the last report (i.e., such accounts contained no reserves on February 4, 1974). The listing:

Presents the amount currently apportioned for the fiscal year 1974;

Presents the amount in reserve as of April 20, 1974;

States whether the amount reserved will be legally available for obligation in fiscal year 1975;

Indicates the date of the reserve action and the effective date of the current reserve;

Presents a code which relates to the reason for the current reserve action, without necessarily exhausting all possible reasons; and

Presents a code which indicates the estimated fiscal, economic, and budgetary impact of the current reserve.

Codes used in the remainder of this report relating to the reasons for and estimated fiscal, economic, and budgetary impact of the reserve actions are described in Attachments B and C. The codes and footnotes listed for each entry relate to conditions which were in effect as of the date of the reserve action.

ATTACHMENT A—1974 LABOR/HEW APPROPRIATIONS—FUNDS WITHHELD FROM OBLIGATION AND EXPENDITURE

The 1974 appropriations act for the Departments of Labor, and Health, Education, and Welfare, and related agencies (P.L. 93–192) contains the provision that "not to exceed $400 million, . . . may be withheld from obligation and expenditure. . . ." The appropriation language also specifies that no individual appropriation provision may be reduced by more than five percent. In addition, the conference report (H.R. 93–682) establishes dollar limitations for the reductions that may be made to specified programs.

The following table shows the effect of the amounts withheld from programs receiving appropriations under this act. A comparison is drawn between amounts authorized to be withheld in the conference report and actual amounts withheld, as reflected in the 1975 Budget Appendix:

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

[In thousands of dollars]

	Authorized to be withheld (conference report)	Amounts withheld (1975 budget)	Difference
HEALTH			
Health Services and Mental Health Administration:			
Mental health	26,874	9,567	−17,307
Health services planning and development [1]	17,509	25,937	−16,649
Health services delivery [1]	2,800		
Health manpower [1]	22,277		
Preventive health services	4,936	0	−4,936
Subtotal	(74,396)	(35,504)	(−38,892)
National Institutes of Health:			
National Cancer Institute	27,560	23,706	−3,854
National Heart and Lung Institute	15,145	13,365	−1,780
National Institute of Dental Research	2,278	1,607	−671
National Institute of Arthritis, Metabolism and Digestive Diseases	7,972	6,486	−1,486
National Institute of Neurological Diseases and Stroke	6,250	5,042	−1,208
National Institute of Allergy and Infectious Diseases	5,700	3,596	+2,104
National Institute of General Medical Sciences	8,838	8,449	−389
National Institute of Child Health and Human Development	6,512	5,357	−1,155
National Eye Institute	2,081	1,684	−397
National Institute of Environmental Health Sciences	1,443	482	−961
Research resources	6,672	5,153	−1,519
John E. Fogarty International Center	237	0	−237
National Library of Medicine	877	0	−877
Subtotal	(91,564)	(74,927)	(−16,637)
Total, Health	165,960	110,431	−55,528
EDUCATION			
Office of Education:			
Elementary and secondary education	96,725	94,979	−1,746
School assistance in federally affected areas	16,584	16,584	0
Education for the handicapped	5,325	5,325	0
Occupational, vocational, and adult education	26,354	26,354	0
Higher education	29,167	29,167	0
Library resources	8,585	3,688	−4,897
Educational development	4,487	4,487	0
Salaries and expenses	93	93	0
Total, Education	187,320	180,677	−6,643
WELFARE			
Social and Rehabilitation Service:			
Grants to States for public assistance	2,500	2,500	0
Social and rehabilitation services	7,775	7,775	0
Subtotal	(10,275)	(10,275)	(0)
Office of Child Development:			
Child development	15,500	9,020	−6,480
Subtotal	(15,500)	(9,020)	(−6,480)
Total, welfare	25,775	19,295	−6,480
RELATED AGENCIES			
Corporation for Public Broadcasting	2,500	[2] 2,250	−250
Office of Economic Opportunity	17,315	[3] 9,800	−7,515
Total, related agencies	18,815	12,050	−7,765
Total, HEW and related agencies	398,870	322,453	−76,416

[1] The 1974 activities of these programs are divided between Health Services Administration and Health Resources in the 1975 budget appendix.

[2] This withholding does not appear in the 1975 budget appendix.

[3] In the 1975 budget appendix, this figure is shown as an unobligated balance lapsing.

ATTACHMENT B—REASON FOR CURRENT RESERVE

Code:

1. "To provide for contingencies" (31 U.S.C. 665(c)(2)).

2. "To effect savings whenever savings are made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the date on which such (funds were) made available" (31 U.S.C. 665(c)(2)).

3. To reduce the amount of or to avoid requesting a deficiency or supplemental appropriation in cases of appropriations available for obligation for only the current year (31 U.S.C. 665(c)(1)). This explanation includes amounts anticipated to be used to absorb or partially absorb the costs of recent pay raises grant pursuant to law.

4. "To achieve the most effective and economical use" of funds available for periods beyond the current fiscal year (31 U.S.C. 665(c)(1)). This explanation includes reserves established to carry out the Congressional intent that funds provided for periods greater than one year should be so apportioned that they will be available for the future periods.

5. Temporary deferral pending the establishment of administrative machinery (not yet in place) or the obtaining of sufficient information (not yet available) to apportion the funds properly and to insure that the funds will be used in "the most effective and economical" manner (31 U.S.C. 665(c)(1)). This explanation includes reserves for which apportionment awaits the development by the agency of approved plans, designs, specifications.

6. The President's constitutional duty to "take care that the laws be faithfully executed" (U.S. Constitution, Article II, Section 3):

6a. Obligation at this time of the amount in reserve is likely to contravene law regarding the environment; or the amount in reserve is being held pending further study to evaluate the environmental impact of the affected projects (activities) as required by law.

6b. Existing tax laws and the statutory limitation on the national debt are not expected to provide sufficient funds in the current and ensuing fiscal years to cover the total of all outlays in these years contemplated by the individual acts of Congress.

6c. Action taken consistent with the President's responsibility to help maintain economic stability without undue price and cost increases.

6d. Amount apportioned reflects the level of obligations implicitly approved by the Congress in its review of and action on the appropriation required to liquidate obligations under existing contract authority.

6e. Other. See footnote for each item so coded.

7. The President's constitutional authority and responsibility as Commander in Chief (U.S. Constitution, Article II, Section 2).

8. The President's constitutional authority and responsibility for the conduct of foreign affairs (U.S. Constitution, Article II, Section 2).

9. Other. See footnote for each item so coded.

10. Not applicable or no reason required. (In most cases where a previous reserve has been apportioned in its entirety.)

ATTACHMENT C—ESTIMATED FISCAL, ECONOMIC, AND BUDGETARY EFFECT

I. Same effect as set forth in the most recently submitted budget document, of which this item is an integral part.

II. The reserve action will bring the budgetary impact of this program to a level nearer or equal to that contemplated in the most recently submitted budget document and contribute to the reduction of inflationary pressures.

III. The change from the previous reserve is expected to contract the budgetary impact of this program and contribute to the reduction of inflationary pressures.

IV. The release or reduction of the previous reserve will facilitate use and expenditure of the available funds consistent with current program needs and economic conditions in the area affected.

V. Other. See footnote for each item so coded.

VI. Not applicable or no explanation required. (In most cases where a previous reserve has been apportioned in its entirety.)

SUMMARY OF BUDGETARY RESERVES

[In millions of dollars][1]

Agency	Amounts as of— Sept. 30, 1973	Feb. 4, 1974	Apr. 20, 1974
1974 PROGRAM			
Executive Office of the President		1	1
Funds appropriated to the President	96	2,507	[2] 2,398
Department of—			
Agriculture	1,173	1,091	1,080
Commerce	63	59	53
Defense—Military	1,143	2,514	1,686
Defense—Civil	1	4	5
Health, Education, and Welfare	23	381	379
Housing and Urban Development	456	823	467
the Interior	162	219	202
Justice	14	14	14
Labor		21	21
State		86	50
Transportation	3,838	3,817	3,761
Treasury	22	23	23
Atomic Energy Commission	27		
Environmental Protection Agency		95	88
General Services Administration	258	38	38
National Aeronautics and Space Administration	2	2	
Veterans' Administration	43		
Other independent agencies:			
National Science Foundation	4		
Small Business Administration	31	31	31
All other	90	89	89
Total	7,446	11,813	10,384
1975 PROGRAM			
Department of Agriculture		140	140
Interior	75	190	190
Transportation		5,994	5,995
Total	75	6,324	6,325

[1] Details may not add due to rounding.

[2] Of this amount, $2,183,000,000 was released on Apr. 25, 1974.

BUDGETARY RESERVES

[Dollars in thousands]

[General notes: Amounts in parentheses ( ) indicate actions superseded by later apportionment actions. An asterisk (*) indicates an account added to the list since the last report. An account without an entry in the amount apportioned column indicates no apportionment has been made for fiscal year 1974]

	Amount apportioned	Amount in reserve	Available beyond fiscal year 1974?	Date of reserve action	Effective date of reserve	Reason for current reserve (see code)	Estimated fiscal, economic, and budgetary effect (see code)
Executive Office of the President/Funds Appropriated to the President:							
Appalachian Regional Commission: Appalachian regional development programs	(209,000)	(225,000)	Yes	June 29, 1973	July 1, 1973	5, 6c	I.
	(320,395)	(40,000)	Yes	Sept. 12, 1973	Sept. 12, 1973	5, 6c	I.
	325,747	40,000	Yes	Oct. 23, 1973	Oct. 23, 1973	5, 6c	I.
Agency for International Development: Prototype desalting plant	(—)	(20,000)	Yes	Apr. 7, 1972	July 1, 1973	5	I.
	[1]	20,000	Yes	Jan. 29, 1974	Jan. 29, 1974	5	I.
Foreign Military Credit Sales	(78,940)	(246,060)	No	Jan. 23, 1974	Jan. 23, 1974	5	I.
	(128,940)	(196,060)	No	Feb. 25, 1974	Feb. 25, 1974	5	I.
	(150,190)	(174,810)	No	Mar. 18, 1974	Mar. 18, 1974	5	I.
	169,890	155,110	No	Mar. 25, 1974	Mar. 25, 1974	5	I.
Emergency security assistance for Israel		[2] (2,200,000)	No	Feb. 1, 1974	Feb. 1, 1974	5	I.
	17,336	[2a] 2,182,664	No	Feb. 28, 1974	Feb. 28, 1974	5	I.
Council on Environmental Quality and Office of Environmental Quality	(1,930)	(536)	No	Nov. 7, 1973	Nov. 7, 1973	5	I.
	1,980	486	No	Mar. 12, 1974	Mar. 12, 1974	5	I.
Special Action Office for Drug Abuse Prevention: Salaries and expenses	(3,800)	(1,200)	No	Dec. 26, 1973	Dec. 26, 1973	5	I.
	5,000		NA	Jan. 11, 1974	Jan. 11, 1974	10	VI.
Pharmacologica' research	(400)	(19,600)	No	Dec. 26, 1973	Dec. 26, 1973	5	I.
	20,000		NA	Jan. 11, 1974	Jan. 11, 1974	10	VI.
Special fund	(1,300)	(24,700)	No	Dec. 26, 1973	Dec. 26, 1973	5	I.
	26,000		NA	Jan. 11, 1974	Jan. 11, 1974	10	VI.
National Security Council	2,502	300	No	Nov. 16, 1973	Nov. 16, 1973	5	I.
The Inter-American Foundation: Inter-American Foundation	(5,000)	(35,652)	Yes	June 12, 1973	July 1, 1973	4	V.[3]
	(5,000)	(35,735)	Yes	Dec. 4, 1973	Dec. 4, 1973	4	I.
	10,000	(4)	NA	Jan. 28, 1974	Jan. 28, 1974	10	VI.[4]
Department of Agriculture:							
Agriculture Research Service: Construction		1,520	Yes	June 29, 1973	July 1, 1973	4, 6b	I.
Animal and Plant Health Inspection Service:							
Animal and plant health inspection service	(317,083)	(878)	No	Nov. 23, 1973	Nov. 23, 1973	1	I.
	317,583	378	No	Feb. 8, 1974	Feb. 8, 1974	1	I.
Animal quarantine station	130	64	Yes	Nov. 23, 1973	Nov. 23, 1973	5	I.
Extension Service: Extension service	201,429	3,200	No	Nov. 23, 1973	Nov. 23, 1973	2	I.
Foreign Agricultural Service: Salaries and expenses, special foreign currency program	1,000	1,240	Yes	May 23, 1973	July 1, 1973	4	I.
Agricultural Stabilization and Conservation Service:							
Salaries and expenses	(256,626)	(2,619)	No	Nov. 23, 1973	Nov. 23, 1973	1	I.
	256,443	2,802	No	Jan. 21, 1974	Jan. 21, 1974	2	I.
Rural environmental assistance program, 1973–74		(210,500)	No[5]	Jan. 26, 1973	July 1, 1973	6b	I.
	[6] 210,500		NA	Apr. 1, 1974	Apr. 1, 1974	10	VI.
Rural environmental assistance program, 1974–75	90,000	85,000	Yes	Nov. 23, 1973	Nov. 23, 1973	4	I.
Emergency conservation measures	20,453	10,000	Yes	Nov. 23, 1973	Nov. 23, 1973	1	I.
Water Bank Act program		(11,391)	Yes	Jan. 26, 1973	July 1, 1973	6b	I.
	10,006	11,645	Yes	Nov. 23, 1973	Nov. 23, 1973	6b	I.
Cropland adjustment program	50,300	1,600	No	Nov. 23, 1973	Nov. 23, 1973	2	I.
Commodity Credit Corporation: Administrative expenses		(497)	No	Nov. 23, 1973	Nov. 23, 1973	1	I.
	[7] 39,631	269	No	Dec. 21, 1973	Dec. 21, 1973	1	III.

Footnotes at end of table.

	Amount apportioned	Amount in reserve	Available beyond fiscal year 1974?	Date of reserve action	Effective date of reserve	Reason for current reserve (see code)	Estimated fiscal, economic, and budgetary effect (see code)
Rural Electrification Administration: Loans	(-----)	(456,103)	Yes	Jan. 26, 1973	July 1, 1973	2, 6b, 6c	I.
	594	455,635	Yes	Feb. 21, 1974	Feb. 21, 1974	2, 6b, 6c	V.[8]
Farmers Home Administration:							
Rural water and waste disposal grants	(-----)	(120,000)	Yes	Jan. 26, 1973	July 1, 1973	6b, 6c	I.
	(-----)	(150,304)	Yes	Nov. 23, 1973	Nov. 23, 1973	6b, 6c	I.
	30,000	120,304	Yes	Dec. 28, 1973	Dec. 28, 1973	6b, 6c	I.
Rural housing for domestic farm labor grants	(-----)	(1,621)	Yes	Jan. 31, 1973	July 1, 1973	5, 6b	I.
	(750)	(1,831)	Yes	Sept. 10, 1973	Sept. 10, 1973	5, 6b	V.[9]
	(1,000)	(9,081)	Yes	Nov. 23, 1973	Nov. 23, 1973	5, 6b	I.
	10,081	-----	NA	Feb. 14, 1974	Feb. 14, 1974	10	VI.
Mutual and self-help housing grants	(-----)	(832)	Yes	Sept. 22, 1972	July 1, 1973	4	I.
	(700)	(133)	Yes	Aug. 22, 1973	Aug. 22, 1973	4	I.
	3,832	1,001	Yes	Nov. 23, 1973	Nov. 23, 1973	4	I.
Rural housing insurance fund	(-----)	(133,000)	Yes	Jan. 26, 1973	July 1, 1973	4	I.
	[10] 1,435,035	-----	NA	Sept. 12, 1973	Sept. 12, 1973	10	VI.
Soil Conservation Service:							
Resource conservation and development	24, 89	4,439	Yes	Nov. 23, 1973	Nov. 23, 1973	4	I.
Watershed planning	13,268	535	Yes	Nov. 23, 1973	Nov. 23, 1973	4	I.
River basin surveys and investigations	16,587	60	Yes	Nov. 23, 1973	Nov. 23, 1973	4	I.
Watershed and flood prevention operations	169,448	17,454	Yes	Nov. 23, 1973	Nov. 23, 1973	4	I.
Agricultural Marketing Service:							
Marketing services, no-year	(1,422)	(818)	Yes	June 11, 1973	July 1, 1973	4	I.
	(1,812)	(818)	Yes	Sept. 26, 1973	Sept. 26, 1973	4	I.
	1,812	1,101	Yes	Jan. 22, 1974	Jan. 22, 1974	4	I.
Perishable Agricultural Commodities Act fund	(1,416)	(58)	Yes	June 11, 1973	July 1, 1973	4	I.
	1,460	270	Yes	Dec. 26, 1973	Dec. 26, 1973	4	I.
Forest Service:							
Forest protection and utilization	(3,791)	(2,128)	Yes	Nov. 2, 1973	Nov. 2, 1973	4	I.
	3,846	2,073	Yes	Jan. 2, 1974	Jan. 2, 1974	4	I.
Construction and land acquisition	(52,196)	(1,315)	Yes	Nov. 2, 1973	Nov. 2, 1973	5	I.
	53,511	-----	NA	Apr. 15, 1974	Apr. 15, 1974	10	VI.
Youth Conservation Corps	(6,693)	(3,307)	Yes	Nov. 9, 1973	Nov. 9, 1973	4	I.
	6,893	[11] 3,107	Yes	Jan. 11, 1974	Jan. 11, 1974	4	I.
Forest roads and trails and roads and trails for States—1974 program		(278,398)	Yes	Mar. 28, 1973	July 1, 9173	4, 6b, 6d	I.
	(117,164)	(208,934)	Yes	July 16, 1973	July 16, 1973	4, 6d [13]	I.
	(123,558)	(342,894)	Yes	Nov. 2, 1973	Nov. 2, 1973	4, 6d	I.
	131,815	334,636	Yes [12]	Jan. 23, 1974	Jan. 23, 1974	4, 6d	I.
Forest roads and trails and roads and trails for States—1975 program		140,000	Yes	Nov. 2, 1973	Nov. 2, 1973	6d	I.
Brush disposal	(18,657)	(26,601)	Yes	June 8, 1973	July 1, 1973	5	I.
	25,000	21,554	Yes	Nov. 2, 1973	Nov. 2, 1973	4	V.[14]
Forest fire prevention	275	109	Yes	June 8, 1973	July 1, 1973	4	I.
Department of Commerce:							
General Administration: Special foreign currency program	1,885	1,005	Yes	Dec. 21, 1973	Dec. 21, 1973	2	II.
Office of Assistant Secretary for Science and Technology: Scientific and technical research and services	(131,485)	(11,934)	Yes	Dec. 27, 1973	Dec. 27, 1973	5	I.
	136,823	6,796	Yes	Feb. 15, 1974	Feb. 15, 1974	5	I.
Social and Economic Statistics Administration: 1974 Census of Agriculture	(-----)	(1,360)	Yes	Nov. 24, 1972	July 1, 1973	2, 4	I.
	1,360	-----	NA	Sept. 12, 1973	Sept. 12, 1973	10	VI.
Domestic and international business:							
Adjustment assistance:							
Financial and technical assistance, trade	15,000	11,780	Yes	Dec. 21, 1973	Dec. 21, 1973	2	I.
International activities, Inter-American Cultural and Trade Center	(292)	(5,067)	Yes	June 26, 1973	July 1, 1973	4, 5	I.
	322	5,051	Yes	Apr. 16, 1974	Apr. 16, 1974	4, 5	I.
Participation in U.S. expositions (Spokane ecological exhibition)	(7,575)	[15] (1,105)	Yes	Oct. 5, 1973	Oct. 5, 1973	4, 5	I.
	8,677	-----	NA	Apr. 10, 1974	Apr. 10, 1974	10	VI.
Office of Minority Business: Minority business development, no-year	(-----)	(16,768)	Yes	Jan. 26, 1973	July 1, 1973	4, 6b	I.
	(9,080)	(14,300)	Yes	July 24, 1973	July 24, 1973	5	I.
	26,752	-----	NA	Oct. 16, 1973	Oct. 16, 1973	10	VI.
National Oceanic and Atmospheric Administration:							
Operations, research and facilities [16]	(-----)	(31,005)	Yes	June 28, 1973	July 1, 1973	2, 4, 6b	I.
	(29,868)	(2,392)	Yes	July 19, 1973	July 19, 1973	2, 4, 6b	I.
	(30,082)	(2,178)	Yes	Sept. 26, 1973	Sept. 26, 1973	2, 4	I.
	(406,694)	(2,178)	Yes	Dec. 27, 1973	Dec. 27, 1973	3	I.
	416,981	2,178	Yes	Jan. 16, 1974	Jan. 16, 1974	3 [17]	I.
Satellite operations [18]	(-----)	(727)	Yes	June 28, 1973	July 1, 1973	5	I.
	727	-----	NA	Dec. 27, 1973	Dec. 27, 1973	10	VI.
Promote and develop fishery products and research pertaining to American fisheries	(7,191)	(3 159)	Yes	Mar. 29, 1973	July 1, 1973	4, 5, 6a	I.
	(7,336)	(3,111)	Yes	July 26, 1973	July 26, 1973	4, 5, 6a	I.
	7,450	3,027	Yes	Dec. 21, 1973	Dec. 21, 1973	4, 5, 6a	I.
Coastal zone management	5,200	6,800	Yes	Dec. 21, 1973	Dec. 21, 1973	4	I.
National Bureau of Standards:							
Plant and facilities		1,850	Yes	Nov. 24, 1972	July 1, 1973	2, 4, 6b	I.
Research and technical services, no-year		3,812	Yes	May 7, 1973	July 1, 1973	5, 6b	I.
Construction of facilities	(-----)	(740)	Yes	Jan. 26, 1973	July 1, 1973	4, 6b	I.
	539	231	Yes	Dec. 21, 1973	Dec. 21, 1973	1	I.
Maritime Administration:							
Ship construction	(-----)	(34,000)	Yes	June 29, 1973	July 1, 1973	4	III.
	(9,137)	(24,863)	Yes	July 27, 1973	July 27, 1973	4	IV.
	304,953	5,500	Yes	Dec. 21, 1973	Dec. 21, 1973	2	II.
Research and development		5,000	Yes	Jan. 18, 1973	July 1, 1973	4, 6b	I.
State marine schools		127	Yes	Nov. 24, 1972	July 1, 1973	4	I.
Federal ship financing fund	(2,582)	(1,446)	Yes	June 27, 1973	July 1, 1973	5	I.
	4,028	-----	NA	Oct. 11, 1973	Oct. 11, 1973	10	VI.
Department of Defense—Military Procurement:							
Missile procurement, Army, 1973–75	(-----)	(2,500)	Yes	Feb. 5, 1973	July 1, 1973	4	I.
	163,382	-----	NA	Sept. 11, 1973	Sept. 11, 1973	10	VI.
Procurement of aircraft and missiles, Navy, 1973–75	(-----)	(13,281)	Yes	June 29, 1973	July 1, 1973	5	I.
	(946,747)	(13,281)	Yes	Sept. 6, 1973	Sept. 6, 1973	5	I.
	878,276	-----	NA	Jan. 28, 1974	Jan. 28, 1974	10	VI.
Aircraft procurement, Air Force, 1972–74	(415,551)	(143,492)	No	Sept. 7, 1973	Sept. 7, 1973	5	I.
	368,478	-----	NA	Nov. 1, 1973	Nov. 1, 1973	10	VI.
Aircraft procurement, Air Force, 1973–75	(1,076,916)	(160,556)	Yes	Sept. 7, 1973	Sept. 7, 1973	5	I.
	1,224,500	-----	NA	Nov. 1, 1973	Nov. 1, 1973	10	VI.
Shipbuilding and conversion, Navy, 1971–75	(-----)	(145,672)	Yes	Nov. 24, 1972	July 1, 1973	4	I.
	892,655	-----	NA	Sept. 11, 1973	Sept. 11, 1973	10	VI.
Shipbuilding and conversion, Navy, 1972–76	(-----)	(427,212)	Yes	Nov. 24, 1972	July 1, 1973	4	I.
	738,000	148,081	Yes	Sept. 11, 1973	Sept. 11, 1973	4	I.
Shipbuilding and conversion, Navy, 1973–77	(-----)	(763,300)	Yes	June 29, 1973	July 1, 1973	4	I.
	992,000	408,512	Yes	Sept. 11, 1973	Sept. 11, 1973	4	I.
Shipbuilding and conversion, Navy, 1974–78	2,711,300	826,800	Yes	Jan. 28, 1974	Jan. 28, 1974	4	I.

BUDGETARY RESERVES—Continued

[Dollars in thousands]

	Amount apportioned	Amount in reserve	Available beyond fiscal year 1974?	Date of reserve action	Effective date of reserve	Reason for current reserve (see code)	Estimated fiscal, economic, and budgetary effect (see code)
Military construction:							
Military construction, Army	(----------)	(70,304)	Yes	June 27, 1973	July 1, 1973	5	I.
	(648,440)	(90,954)	Yes	Aug 16, 1973	Aug 16, 1973	5	I.
	(648,020)	(95,488)	Yes	Dec 27, 1973	Dec 27, 1973	5	I.
	(762,670)	(558,958)	Yes	Jan 18, 1974	Jan 18, 1974	5	I.
	(1,184,957)	(138,956)	Yes	Jan 24, 1974	Jan 24, 1974	5	I.
	1,203,724	124,579	Yes	Mar 22, 1974	Mar 22, 1974	5	I.
Military construction, Navy	(----------)	(68,133)	Yes	June 27, 1973	July 1, 1973	5	I.
	(385,805)	(65,858)	Yes	Aug 14, 1973	Aug 14, 1973	5	I.
	(334,948)	(64,674)	Yes	Oct 11, 1973	Oct 11, 1973	5	I.
	(336,468)	(64,754)	Yes	Oct 16, 1973	Oct 16, 1973	5	I.
	(336,848)	(64,774)	Yes	Nov 14, 1973	Nov 14, 1973	5	I.
	(338,174)	(64,439)	Yes	Dec 17, 1973	Dec 17, 1973	5	I.
	(412,974)	(598,931)	Yes	Jan 9, 1974	Jan 9, 1974	5	I.
	(650,758)	(363,047)	Yes	Feb 15, 1974	Feb 15, 1974	5	I.
	939,681	74,124	Yes	Mar 7, 1974	Mar 7, 1974	5	I.
Military construction, Air Force	----------	(51,607)	Yes	June 27, 1973	July 1, 1973	5	I.
	(130,860)	(49,773)	Yes	July 20, 1073	July 20, 1973	5	I.
	(141,224)	(39,409)	Yes	Aug. 14, 1973	Aug. 14, 1973	5	I.
	(160,501)	(39,409)	Yes	Oct. 16, 1973	Oct. 16, 1973	5	I.
	(171,972)	(29,937)	Yes	Jan. 7, 1974	Jan. 7, 1974	5	I.
	(218,426)	(232,760)	Yes	Jan. 17, 1974	Jan. 17, 1974	5	I.
	(402,711)	(48,475)	Yes	Feb. 13, 1974	Feb. 13, 1974	5	I.
	431,445	19,741	Yes	Mar. 19, 1974	Mar. 19, 1074	5	I.
Military construction, defense agencies	----------	(58,415)	Yes	Feb. 15, 1973	July 1, 1973	5	I.
	(8,000)	(58,215)	Yes	Aug. 23, 1973	Aug. 23, 1973	5	I.
	(8,957)	(56,615)	Yes	Oct. 16, 1973	Oct. 16, 1973	5	I.
	(10,277)	(54,895)	Yes	Nov. 14, 1973	Nov. 14, 1973	5	I.
	(10,277)	(53,904)	Yes	Dec. 17, 1973	Dec. 17, 1973	5	I
	(15,133)	(49,048)	Yes	Jan. 9, 1974	Jan. 9, 1974	5	I.
	(15,133)	(46,763)	Yes	Jan. 24, 1974	Jan. 24, 1974	5	I.
	31,683	28,313	Yes	Feb. 15, 1974	Feb. 15, 1974	5	I.
Military construction, Army National Guard	----------	(102)	Yes	June 14, 1973	July 1, 1973	5	I.
	(3,051)	----------	NA	Aug. 16, 1973	Aug. 16, 1973	10	VI.
	(8,943)	(29,300)	Yes	Jan. 18, 1974	Jan. 18, 1974	5	I.
	29,903	8,340	Yes	Mar. 7, 1974	Mar. 7, 1974	5	I.
Military construction, Air National Guard	(----------)	(17)	Yes	May 29, 1973	July 1, 1973	5	I.
	(5,256)	(17)	Yes	Sept. 6, 1973	Sept. 6, 1973	5	I.
	(5,273)	(----------)	Yes	Oct. 23, 1973	Oct. 23, 1973	10	VI.
	(9,273)	(16,000)	Yes	Jan. 18, 1974	Jan. 18, 1974	5	I.
	17,514	7,759	Yes	Feb. 11, 1974	Feb. 11, 1974	5	I.
Military construction, Army Reserve	(----------)	(7,109)	Yes	Mar. 8, 1973	July 1, 1973	5	I.
	(23,423)	(7,109)	Yes	Sept. 10, 1973	Sept. 10, 1973	5	I.
	(29,909)	(2,623)	Yes	Nov. 8, 1973	Nov. 8, 1973	5	I.
	(34,709)	(38,523)	Yes	Jan. 18, 9174	Jan. 18, 1974	5	I.
	57,320	15,912	Yes	Mar. 18, 1974	Mar. 18, 1973	5	I.
Military construction, Naval Reserve	(----------)	(3,943)	Yes	May 3, 1973	July 1, 1973	5	I.
	(17,640)	(1,842)	Yes	Aug. 8, 1973	Aug. 8, 1973	5	I.
	(18,657)	(915)	Yes	Nov. 8, 1973	Nov. 8, 1973	5	I.
	(20,000)	(22,373)	Yes	Jan. 14, 1974	Jan. 14, 1974	5	I.
	24,469	18,003	Yes	Mar. 14, 1974	Mar. 14, 1974	5	I.
Military construction, Air Force Reserve	(----------)	(850)	Yes	June 20, 1973	July 1, 1973	5	I.
	(2,415)	(850)	Yes	Sept. 6, 1973	Sept. 6, 1973	5	I.
	(2,444)	(821)	Yes	Oct. 23, 1973	Oct. 23, 1973	5	I.
	(3,444)	(9,821)	Yes	Jan. 18, 1974	Jan. 18, 1974	5	I.
	(10,089)	(3,176)	Yes	Feb. 1, 1974	Feb. 1, 1974	5	I.
	10,858	2,407	Yes	Mar. 29, 1974	Mar. 29, 1974	5	I.
Defense Civil Preparedness Agency: Research, shelter survey and marketing	24,617	1,100	Yes	Nov. 27, 1973	Nov. 27, 1973	5	I.
Special Foreign Currency Program:							
Special foreign currency program, Defense, 1972–74	(----------)	(2,477)	No	Dec. 18, 1972	July 1, 1973	5	I.
	3,169	2,051	No	Aug. 31, 1973	Aug. 31, 1973	5	I.
Special foreign currency program, Defense, 1973–75	(----------)	(400)	Yes	Dec. 4, 1972	July 1, 1972	5	I.
	2,998	400	Yes	Sept. 6, 1973	Sept. 6, 1973	5	I.
Department of Defense—Civil Corps of Engineers:							
General investigations	(----------)	(150)	Yes	June 29, 1973	July 1, 1973	5	I.
	(65,084)	(150)	Yes	Sept. 15, 1973	Sept. 15, 1973	5[19]	II.
	65,267	----------	NA	Feb. 27, 1974	Feb. 27, 1974	10	VI.
Construction	(----------)	(783)	Yes	June 29, 1973	July 1, 1973	5	I.
	(9,100)	(333)	Yes	July 27, 1973	July 27, 1973	5	I.
	(9,175)	(258)	Yes	July 30, 1973	July 30, 1973	5	I.
	(1,114,829)	(258)	Yes	Sept. 15, 1973	Sept. 15, 1973	5[19]	II.
	1,114,937	108	Yes	Apr. 4, 1974	Apr. 4, 1974	5	I.
Flood control, Mississippi River and tributaries	(----------)	(750)	Yes	June 29, 1973	July 1, 1973	5	I.
	(151,819)	(750)	Yes	Sept 15, 1973	Sept 15, 1973	5[19]	II.
	(166,419)	(750)	Yes	Jan 26, 1974	Jan 26, 1974	5	I.
	167,169	----------	NA	Apr 4, 1974	Apr 4, 1974	10	V.
Soldiers' and Airmen's Home: Capital outlay	2,165	612	Yes	Jan 4, 1974	Jan 4, 1974	5	I.
Panama Canal: Canal Zone Government, capital outlay	(----------)	(700)	Yes	Sept 8, 1972	July 1, 1973	5	I.
	7,436	85	Yes	Sept 14, 1973	Sept 14, 1973	1	V.[20]
Wildlife Conservation:							
Wildlife conservation, Army	(598)	(107)	Yes	June 14, 1973	July 1, 1973	1	I.
	606	342	Yes	Jan 31, 1974	Jan 31, 1974	1	I.
Wildlife conservation, Navy	(60)	(8)	Yes	June 14, 1973	July 1, 1973	1	I.
	(69)	(22)	Yes	Oct 3, 1973	Oct 3, 1973	1	I.
	69	37	Yes	Feb 14, 1974	Feb 14, 1974	1	I.
Wildlife conservation, Air Force	(124)	(40)	Yes	June 14, 1973	July 1, 1973	1	I.
	124	20	Yes	Jan 22, 1974	Jan 22, 1974	1	I.
Salaries and expenses: Cemeterial expenses, Army	(14,448)	(2,053)	Yes	Sept. 14, 1973	Sept. 14, 1973	5	I.
	13,033	3,468	Yes	Feb. 14, 1974	Feb. 14, 1974	5	I.
Department of Health, Education, and Welfare:							
Health Services Administration:							
Health services delivery	(915,869)	(2,250)	Yes	Feb. 4, 1974	Feb. 4, 1974	5	I.
	922,869	2,250	Yes	Mar. 14, 1974	Mar. 14, 1974	5	I.
Buildings and facilities*	19,804	7,000	Yes	Mar. 13, 1974	Mar. 13, 1974	5	I.
Indian health services	(94,372)	(91,626)	No	Nov. 28, 1973	Nov. 28, 1973	5	I.
	185,998	----------	NA	Feb. 4, 1974	Feb. 4, 1974	10	VI.
Indian health facilities	(3,482)	(848)	Yes	June 27, 1973	July 1, 1973	5	I.
	(34,815)	(20,593)	Yes	Nov. 28, 1973	Nov. 28, 1973	5	I.
	55,320	88	Yes	Jan. 30, 1974	Jan. 30, 1974	5	I.

Footnotes at end of table.

	Amount apportioned	Amount in reserve	Available beyond fiscal year 1974?	Date of reserve action	Effective date of reserve	Reason for current reserve (see code)	Estimated fiscal, economic, and budgetary effect (see code)
Department of Health, Education, and Welfare—Continued							
National Institutes of Health:							
Research resources	126,941	1,378	No	Jan. 18, 1974	Jan. 18, 1974	3	I.
Buildings and facilities	(1,000)	(23,701)	Yes	Jan. 18, 1974	Jan. 18, 1974	5	I.
	10,680	14,021	Yes	Feb. 27, 1974	Feb. 27, 1974	5	I.
Alcohol, Drug Abuse, and Mental Health Administration: Mental health	827,193	13,194	No	Jan. 28, 1974	Jan. 28, 1974	1	I.
Health Resources Administration:							
Health services planning and development	(555,997)	(6,228)	No	Feb. 4, 1974	Feb. 4, 1974	3	I.
	585,497	6,228	No	Apr. 3, 1974	Apr. 3, 1974	3	I.
Health Manpower	(734,635)	(5,370)	No	Feb. 4, 1974	Feb. 4, 1974	3	I
	768,910	5,370	Yes	Apr. 3, 1974	Apr. 3, 1974	3	I.
Assistant Secretary for Health: Office of International Health: scientific activities overseas (Special foreign currency program).	(13,505)	(21,714)	Yes	Jan. 30, 1974	Jan. 30, 1974	4	I.
	16,034	21,714	Yes	Mar. 28, 1974	Mar. 28, 1974	4	I.
Office of Education:							
Elementary and secondary education	2,025,168	1,746	No	Jan. 17, 1974	Jan. 17, 1974	1	I.
Higher education, 1974-76	238,000	237,000	Yes	Jan. 17, 1974	Jan. 17, 1974	4	I.
Higher Education, no-year	(.....)	(1,889)	Yes	Nov. 30, 1972	July 1, 1973	5	I.
	346,118	8,788	Yes	Jan. 17, 1974	Jan. 17, 1974	4	I.
Library resources	163,124	4,897	No	Jan. 18, 1974	Jan. 18, 1974	3	I.
Educational development	15,675	32	Yes	Jan. 18, 1974	Jan. 18, 1974	1	I.
Educational activities overseas, special foreign currency program	(.....)	(16)	Yes	Apr. 6, 1972	July 1, 1973	5	I.
	2,539	.....	NA	Jan. 17, 1974	Jan. 17, 1974	10	VI.
Social and Rehabilitation Service: Research and training overseas	3,700	7,490	Yes	Jan. 18, 1974	Jan. 18, 1974	4	I.
Social Security Administration:							
Limitation on salaries and expenses (trust fund)	1,879,000	13,580	No	Feb. 4, 1974	Feb. 4, 1974	1	I.
Limitation on construction (trust fund)	(.....)	(12,095)	Yes	Apr. 27, 1972	July 1, 1973	4, 5	I.
	(12,679)	(19,973)	Yes	Aug. 21, 1973	Aug. 21, 1973	4, 5	I.
	(15,614)	(17,425)	Yes	Nov. 30, 1973	Nov. 30, 1973	4, 5	I.
	17,646	15,393	Yes	Feb. 4, 1974	Feb. 4, 1974	4, 5	I.
Special institutions:							
Howard University	9,132	11,490	Yes	Jan. 17, 1974	Jan. 17, 1974	4	I.
Model secondary school for the deaf*	3,500	803	Yes	Mar. 5, 1974	Mar. 5, 1974	4	I.
Office of Human Development: Child development	419,910	6,480	No	Jan. 18, 1974	Jan. 18, 1974	3	I.
Department of Housing and Urban Development:							
Housing production and mortgage credit: Nonprofit sponsor assistance	.....	6,530	Yes	Apr. 15, 1973	July 1, 1973	5, 6b, 6c	I.
Community Development:							
Model Cities program	(50,055)	(100,012)	Yes	Nov. 26, 1973	Nov. 26, 1973	6c	V.[21]
	(75,055)	(75,012)	Yes	Nov. 30, 1973	Nov. 30, 1973	6c	IV.
	150,067	.....	NA	Apr. 15, 1974	Apr. 15, 1974	10	VI.
Grants for neighborhood facilities	.....	48	Yes	Nov. 27, 1973	Nov. 27, 1973	6c	I.
Open space land program	(.....)	(27,730)	Yes	Mar. 8, 1973	July 1, 1973	6b, 6c	I.
	.....	55,161	Yes	Nov. 9, 1973	Nov. 9, 1973	6c	I.
Grants for basic water and sewer facilities	(.....)	(400,175)	Yes	Jan. 26, 1973	July 1, 1973	6b, 6c	I.
	.....	401,734	Yes	Nov. 27, 1973	Nov. 27, 1973	6b, 6c	I.
Urban renewal fund	(613,500)	(311,314)	Yes	Nov. 26, 1973	Nov. 26, 1973	6c	V.[21]
	(643,500)	(281,314)	Yes	Nov. 30, 1973	Nov. 30, 1973	6c	IV.
	1,526,314	.....	NA	Apr. 15, 1974	Apr. 15, 1974	10	VI.
Public facility loans	(.....)	(20,000)	Yes	Jan. 26, 1973	July 1, 1973	6b, 6c	I.
	24,888	([22])	NA	June 20, 1973	July 1, 1973	10	VI.
Community Planning and Management: New community assistance grants	.....	1,799	Yes	Nov. 11, 1973	Nov. 16, 1973	6c	I.
Office of Interstate Land Sales Registration: Interstate lan . sales	(1,460)	(1,981)	Yes	June 20, 1973	July 1, 1973	4	I.
	(1,849)	(1,379)	Yes	Dec. 12, 1973	Dec. 12, 1973	4	III.
	1,852	1,375	Yes	Feb. 21, 1974	Feb. 20, 1974	4	I.
Department of the Interior:							
Office of Territorial Affairs: Trust Territory of the Pacific Islands	(71,550)	[23] (800)	Yes	Feb. 2, 1974	Feb. 2, 1974	5	I.
	72,350	.....	NA	Feb. 22 9174,	Feb. 22, 1974	10	VI.
Bureau of Land Management:							
Public lands development roads and trails/1974 program	(4,000)	(8,961)	Yes	June 8, 1973	July 1, 1973	6d	I.
	5,205	18,961	Yes	Oct. 3, 1973	Oct. 3, 1973	6d	I.
Public lands development roads and trails/1975 program	.....	10,000	Yes	Oct. 3, 1973	Oct. 3, 1973	6d	I.
Oregon and California grant lands	(.....)	(1,150)	Yes	June 8, 1973	July 1, 1973	4, 5	I.
	28,750	5,243	Yes	Oct. 2, 1973	Oct. 2, 1973	5	II.
Bureau of Indian Affairs:							
Road construction/1974 program	57,060	20,000	Yes	Sept. 12, 1973	Sept. 12, 1973	6d	II.
Road construction/1975 program	.....	75,000	Yes	Sept. 12, 1973	Sept. 12, 1973	6d	II.
Bureau of Outdoor Recreation: Land and water conservation	(208,168)	(61,422)	([24])	June 8, 1973	July 1, 1973	6b	I.
	(297,223)	(57,568)	([24])	Nov. 3, 1973	Nov. 3, 1973	5, 6b, 6d	I.
	(324,763)	(30,000)	([24])	Feb. 2, 1974	Feb. 2, 1974	4, 6d	I.
	305,463	(30,000)	([24])	Apr. 19, 1974	Apr. 19, 1974	4, 6d	I.
Geological survey: Payments from proceeds, sale of water, Minearal Leasing Act of 1920.	([25])	(27)	Yes	May 6, 1973	July 1, 1973	4[26]	I.
	([25])	26	Yes	Nov. 19, 1973	Nov. 19, 1973	4	I.
Bureau of Mines: Drainage of anthracite mines	200	3,575	Yes	June 8, 1973	July 1, 1973	4, 5	I.
Bureau of Sport Fisheries and Wildlife:							
Migratory bird conservation account (receipt limitation)	(9,000)	(981)	Yes	June 8, 1973	July 1, 1973	4	I.
	(12,000)	(981)	Yes	Aug. 23, 1973	Aug. 23, 1973	4	I.
	21,771	.....	NA	Nov. 2, 1973	Nov. 2, 1973	10	VI.
Federal aid in wildlife restoration	45,300	7,863	Yes	June 8, 1973	July 1, 1973	4, 5	I.
Federal aid in fish restoration and management	14,565	2,339	Yes	June 8, 1973	July 1, 1973	4, 5	I.
National Wildlife Refuge Fund	4,620	4,003	Yes	June 8, 1973	July 1, 1973	4, 5	I.
Proceeds from sales, water resources development projects	15	4	Yes	June 8, 1973	July 1, 1973	4, 5	I.
National Park Service:							
Parkway and road construction/1974 program	(16,338)	(34,610)	Yes	June 8, 1973	July 1, 1973	4, 6d[27]	I.
	(16,338)	(229,610)	Yes	Oct. 1, 1973	Oct. 1, 1973	4, 6d	II.
	51,183	108,115	Yes	Nov. 2, 1973	Nov. 2, 1973	4, 6d	II.
Parkway and road construction/1975 program	.....	105,000	Yes	Nov. 2, 1973	Nov. 2, 1973	4, 6d	II.
Planning and construction	(28,100)	(14,500)	Yes	July 30, 1973	July 30, 1973	4	I.
	(79,675)	(14,500)	Yes	Nov. 2, 1973	Nov. 2, 1973	4, 5	I.
	(79,675)	(14,500)	Yes	Jan. 29, 1974	Jan. 29, 1974	4, 5	I.
	94,175	.....	NA	Mar. 11, 1974	Mar. 11, 1974	10	VI.
Operation, management, maintenance, and demolition of federally acquired property.	(17)	(65)	Yes	June 8, 1973	July 1, 1973	4, 5	I.
	15	.....	NA	Nov. 2, 1973	Nov. 2, 1973	10	VI.
Bureau of Reclamation:							
Construction and rehabilitation	(16,970)	(1,055)	Yes	June 8, 1973	July 1, 1973	5	I.
	228,857	1,055	Yes	Sept. 15, 1973	Sept. 15, 1973	5[28]	I.
Operation, maintenance, and replacement of project works, North Platte project.	[29]	100	Yes	June 6, 1973	July 7, 1973	6e[30]	I.
Upper Colorado River Basin fund	(9,072)	(1,390)	Yes	June 8, 1973	July 1, 1973	5	I
	64,911	1,164	Yes	Sept 15, 1973	Sept 15, 1973	5	I

BUDGETARY RESERVES—Continued

[Dollars in thousands]

	Amount apportioned	Amount in reserve	Available beyond fiscal year 1974?	Date of reserve action	Effective date of reserve	Reason for current reserve (see code)	Estimated fiscal, economic, and budgetary effect (see code)
Department of Justice: Bureau of Prisons: Buildings and facilities	(——)	(36,441)	Yes	Jan. 26, 1973	July 1, 1973	5, 6b	I.
	45,823	13,594	Yes	Sept. 19, 1973	Sept. 19, 1973	5, 6b	I.
Department of Labor: Employment Standards Administration: Special benefits	284,300	20,706	No	Jan. 17, 1974	Jan. 17, 1974	1	V[31].
Department of State:							
Acquisition, operation, and maintenance of buildings abroad	62,484	44,521	Yes	Dec. 31, 1973	Dec. 31, 1974	4	I.
Assistance to refugees from the Soviet Union	(——)	(36,500)	No	Feb. 2, 1974	Feb. 2, 1974	5	I.
	36,500	NA		Mar. 15, 1974	Mar. 15, 1974	10	VI.
International Boundary and Water Commission, United States and Mexico: Construction.	15,681	4,983	Yes	Dec. 18, 1973	Dec. 18, 1973	5	I.
Department of Transportation:							
Office of the Secretary: Transportation, planning, and research and development		(5,300)	Yes	June 30, 1973	July 1, 1973	4, 6b	I.
	34,353	NA		Sept. 14, 1973	Sept. 14, 1973	10	VI.
U.S. Coast Guard: Acquisition, construction, and improvements	(30,946)	(10,609)	Yes	July 12, 1973	July 12, 1973	4, 6b	I.
	(109,168)	(12,099)	Yes	Sept. 14, 1973	Sept. 14, 1973	4, 6b	II.
	102,889	19,396	Yes	Dec. 27, 1973	Dec. 27, 1973	4, 6b	II.
Federal Aviation Administration:							
Civil supersonic aircraft development termination		(3,575)	Yes	Jan. 23, 1973	July 1, 1973	4, 6b	I.
	3,600	3,033	Yes	Sept. 10, 1973	Sept. 10, 1973	4	I.
Civil supersonic aircraft development		(2,153)	Yes	Jan. 18, 1973	July 1, 1973	4, 6b	I.
	800	2,755	Yes	Sept. 10, 1973	Sept. 10, 1973	4	I.
Grants-in-aid for airports (airport and airway trust fund)	13,000	2,000	Yes	Sept. 14, 1973	Sept. 14, 1973	5	I.
Facilities and equipment (airport and airway trust fund)	(——)	(207,631)	Yes	Jan. 18, 1973	Jul. 1, 1973	4, 6b	I.
	293,075	261,919	Yes	Sept. 12, 1973	Sept. 12, 1973	4	I.
Research, engineering, and development (airport and airway trust fund)	(——)	(10,000)	Yes	Jan. 18, 1973	Jul. 1, 1973	4, 6b	I.
		NA		Sept. 14, 1973	Sept. 14, 1973	10	VI.
Federal Highway Administration:							
Highway beautification	(41,977)	(11,521)	Yes	Jun. 29, 1973	Jul. 1, 1973	4, 5	I.
	50,000	NA		Sep. 15, 1973	Sept. 15, 1973	10	VI.
Darien Gap Highway	(——)	(545)	Yes	Jan. 18, 1973	Jul. 1, 1973	4, 5	I.
	17,661	NA		Sept. 14, 1973	Sept. 14, 1973	10	VI.
Highway-related safety grants	(10,459)	(7,897)	Yes	Jun. 29, 1973	Jul. 3, 1973	4, 5	I.
	13,229	NA		Sept. 15, 1973	Sept. 15, 1973	10	VI.
Federal-aid highways/1974 program	(1,617,000)	(2,791,841)	Yes	Jun. 29, 1973	Jul. 2, 1973	4, 5, 6a, 6c	I.
	(4,742,497)	(3,414,149)	Yes	Sept. 14, 1973	Sept. 14, 1973	6a, 6c	I.
	(4,741,018)	(3,414,619)	Yes	Feb. 1, 1974	Feb. 1, 1974	6a, 6c	I.
	4,791,047	3,364,590	Yes	Apr. 3, 1974	Apr. 3, 1974	6a, 6c	IV.
Federal-aid highways/1975 program	(6,010,000)						I
		[32] 5,958,500	Yes	Feb 1, 1974	Feb 1, 1974	4, 5	I
Rail-crossings-demonstration projects	(22,322)	(3,053)	Yes	Sept 15, 1973	Sept 15, 1973	5	I
	21,700	75	Yes	Feb 1, 1974	Feb 1, 1974	5	I
Territorial highways/1974 program	(4,000)	(1,602)	Yes	June 29, 1973	July 1, 1973	4, 6c	I
	4,229	750	Yes	Mar 5, 1974	Mar 5, 1974	4, 5	I
Territorial highways/1975 program*		1,500	Yes	Mar 5, 1974	Mar 5, 1974	4, 5	I
National scenic highways/1974 program		10,000	Yes	Feb 1, 1974	Feb 1, 1974	5	I
National scenic highways/1975 program		10,000	Yes	Feb 1, 1974	Feb 1, 1974	5	I
Trust fund share of other highway programs/1974 program	(6,973)	(15,793)	Yes	June 29, 1973	July 3, 1973	4, 5	I
	(28,120)	(——)	NA	Sept 15, 1973	Sept 15, 1973	10	VI
	27,993	10,000	Yes	Feb 1, 1974	Feb 1, 1974	5	I
Trust fund share of other highway programs/1975 program		25,000	Yes	Feb. 1, 1974	Feb. 1, 1974	5	I.
Forest highways trust fund	(24,000)	(47,604)	Yes	June 29, 1973	July 1, 1973	2, 4, 6c	I.
	26,000	NA		Sept. 14, 1973	Sept. 14, 1973	10	VI.
Public lands highways	(5,000)	(27,000)	Yes	June 29, 1973	July 1, 1973	2, 4, 6c	I.
	(5,000)	(5,000)	Yes	Sept. 14, 1973	Sept. 14, 1973	4, 6c, 6d	I.
	10,000	NA		Mar. 5, 1974	Mar. 5, 1974	10	IV.
Right-of-way revolving fund	(48,000)	(74,782)	Yes	June 29, 1973	July 2, 1973	4, 5	I.
	48,000	77,116	Yes	Feb. 1, 1974	Feb. 1, 1974	4, 5	I.
National Highway Traffic Safety Administration:							
State and community highway safety	(26,993)	(1,290)	Yes	July 2, 1973	July 2, 1973	1	I.
	66,771	NA		Sept. 13, 1973	Sept. 13, 1973	10	VI.
Traffic and highway safety	(56,068)	(2,000)	Yes[33]	Sept. 14, 1973	Sept. 14, 1973	5	I.
	86,405	2,000	Yes	Jan. 24, 1974	Jan. 24, 1974	5	I.
Construction of compliance facilities	([34])	(9,018)	Yes	Jan. 19, 1973	July 1, 1973	4, 5	I.
	([34])	18	Yes	Sept. 14, 1973	Sept. 14, 1973	5	V.
Trust fund share of highway traffic safety programs	(16,848)	(2,580)	Yes	July 2, 1973	July 2, 1973	1, 5	I.
	96,167	NA		Sept. 13, 1973	Sept. 13, 1973	10	VI.
Federal Railroad Administration:							
Emergency rail facilities restoration	27,100	7,648	Yes	July 27, 1973	July 27, 1973	2	I.
High-speed ground transportation research and development	(——)	(15,000)	Yes	Jan. 19, 1973	July 1, 1973	4, 6b	I.
		NA		Sept. 14, 1973	Sept. 14, 1973	10	VI.
Grants to the National Railroad Passenger Corporation	(——)	(10,000)	Yes	Jan. 19, 1973	July 1, 1973	4, 6b	I.
	(54,900)	(48,100)	Yes	Sept. 13, 1973	Sept. 13, 1973	4, 6b	V.[36]
	103,000	NA		Nov. 23, 1973	Nov. 23, 1973	10	VI.
Urban Mass Transportation Administration: Urban Mass Transportation Fund	(941,300)	(210,853)	Yes	July 6, 1973	July 6, 1973	4, 6b	I.
	985,550	NA		Sept. 14, 1973	Sept. 14, 1973	10	VI.
Department of the Treasury:							
Office of the Secretary: Construction, Federal Law Enforcement Training Center	383	21,517	Yes	June 6, 1973	July 1, 1973	5	I.
Bureau of Accounts: Subsidy payment to Environmental Protection Authority	75	[37] 1,188	No	Nov. 29, 1973	Nov. 29, 1973	2	I.
Atomic Energy Commission:							
Operating expenses	(3,164,739)	(16,900)	Yes	Sept. 15, 1973	Sept. 15, 1973	5	I.
	(3,174,154)	(7,500)	Yes	Nov. 19, 1973	Nov. 19, 1973	5	I.
	3,181,086	NA		Dec. 21, 1973	Dec. 21, 1973	10	VI.
Plant and capital equipment	(48,470)	(1,830)	Yes	June 8, 1973	July 1, 1973	5	I.
	(637,577)	(9,750)	Yes	Sept. 15, 1973	Sept. 15, 1973	5	I.
	(637,912)	(9,400)	Yes	Nov. 4, 1973	Nov. 4, 1973	5	I.
	(643,812)	(3,500)	Yes	Nov. 9, 1973	Nov. 9, 1973	5	I.
	(645,812)	(1,500)	Yes	Nov. 12, 1973	Nov. 12, 1973	5	I.
	677,312	NA		Jan. 10, 1974	Jan. 10, 1974	10	VI.
Environmental Protection Agency:							
Research and development	(8,696)	(9,700)	Yes	Oct. 19, 1973	Oct. 19, 1973	5	IV.
	(183,612)	(3,700)	Yes	Nov. 29, 1973	Nov. 29, 1973	5	IV.
	(184,312)	(3,000)	Yes	Jan. 29, 1974	Jan. 29, 1974	5	IV.
	(184,381)	(3,000)	Yes	Mar. 8, 1974	Mar. 8, 1974	5	I.
	187,365	NA		Apr. 10, 1974	Apr. 10, 1974	10	VI.
Abatement and control	(17,804)	(3,850)	Yes	Oct. 19, 1973	Oct. 19, 1973	5	IV.
	(266,514)	(16,850)	Yes	Nov. 29, 1973	Nov. 29, 1973	5	IV.
	(287,574)	(91,850)	([38])	Jan. 29, 1974	Jan. 29, 1974	5	I.
	(288,378)	(91,350)	([38])	Apr. 10, 1974	Apr. 10, 1974	5	I.
	291,528	88,200	([38])	Apr. 19, 1974	Apr. 19, 1974	5	I.

Footnotes at end of table.

BUDGETARY RESERVES—Continued

[Dollars in thousands]

	Amount apportioned	Amount in reserve	Available beyond fiscal year 1974?	Date of reserve action	Effective date of reserve	Reason for current reserve (see code)	Estimated fiscal, economic, and budgetary effect (see code)
General Services Administration:							
Real property activities:							
Sites and expenses, public building projects	(-----)	(22,206)	Yes	Jan. 26, 1973	July 1, 1973	4	I.
	22,000	15,500	Yes	Nov. 29, 1973	Nov. 29, 1973	4	I.
Construction, public building projects	(-----)	(234,309)	Yes	Jan. 26, 1973	July 1, 1973	2, 4	I.
	73,653	20,803	Yes	Nov. 29, 1973	Nov. 29, 1973	4	I.
Property management and disposal: Operating expenses, sale of rare silver dollars.	(-----)	(4,000)	Yes	Nov. 30, 1972	July 1, 1973	4	I.
	3,400	1,386	Yes	Sept. 5, 1973	Sept. 5, 1973	4	I.
Operating expenses, special fund	-----	(850)	Yes	June 26, 1973	July 1, 1973	4, 5	I.
	-----	-----	NA	Aug. 16, 1973	Aug. 16, 1973	10	VI.
National Aeronautics and Space Administration: Research and development	(2,860,194)	(2,200)	Yes	June 8, 1973	July 1, 1973	5	I.
	(2,860,194)	(9,300)	Yes	Nov. 16, 1973	Nov. 16, 1973	5	I.
	(2,867,294)	(2,200)	Yes	Jan. 23, 1974	Jan. 23, 1974	5	I.
	2,869,494	-----	NA	Mar. 6, 1974	Mar. 6, 1974	10	VI.
Veterans' Administration:							
Medical prosthetic research	-----	(3,648)	Yes	Feb. 15, 1973	July 1, 1973	5	I.
	85,099	-----	NA	Nov. 23, 1973	Nov. 23, 1973	10	VI.
Construction, major projects	-----	(34,710)	Yes	June 13, 1973	July 1, 1973	5	I.
	114,626	-----	NA	Nov. 23, 1973	Nov. 23, 1973	10	VI.
Construction, minor projects	-----	(5,000)	Yes	Dec. 20, 1972	July 1, 1973	5	I.
	66,685	-----	NA	Nov. 23, 1973	Nov. 23, 1973	10	VI.
Other independent agencies:							
District of Columbia:							
Loans for capital outlay, metropolitan area santiary sewage works funds	(-----)	(300)	Yes	Aug. 7, 1972	July 1, 1973	4	I.
	3,900	5,300	Yes	Sept. 5, 1973	Sept. 5, 1973	4	I.
Loans for capital outlay, sanitary sewage	(-----)	(4,285)	Yes	Aug. 7, 1972	July 1, 1973	4	I.
	29,000	24,035	Yes	Sept. 5, 1973	Sept. 5, 1973	4	I.
Loans for capital outlay, water fund	(-----)	(2,360)	Yes	Aug. 7, 1972	July 1, 1973	4	I.
	8,000	7,460	Yes	Sept. 5, 1974	Sept. 5, 1973	4	I.
Loans for capital outlay, highway fund	11,900	5,956	Yes	Sept. 5, 1973	Sept. 5, 1973	4	I.
Loans for capital outlay, general fund	(-----)	(6,758)	Yes	Jan. 26, 1973	July 1, 1973	4	I.
	176,500	29,526	Yes	Sept. 5, 1973	Sept. 5, 1973	4	I.
Foreign Claims Settlement Commission: Payment of Vietnam and U.S.S. Pueblo prisoner-of-war claims	9,125	7,229	Yes	July 12, 1973	July 12, 1973	5	I.
American Revolution Bicentennial Administration: Commemorative activites fund	-----	(5,690)	Yes	Nov. 28, 1972	July 1, 1973	5	I.
	4,556	3,510	Yes	Feb. 1, 1974	Feb. 1, 1974	5	I.
National Science Foundation: Salaries and expenses	(56,900)	(3,500)	Yes	June 8, 1973	July 1, 1973	2	I.
	(620,845)	(13,900)	Yes	Nov. 23, 1973	Nov. 23, 1973	5	I.
	634,745	-----	NA	Dec. 6, 1973	Dec. 6, 1973	10	IV.
Occupational Safety and Health Review Commission: Salaries and expenses	(4,296)	(445)	No	Jan. 14, 1974	Jan. 14, 1974	1, 2	V.[39]
	4,242	445	No	Feb. 6, 1974	Feb. 6, 1974	1, 2	V.[39]
Railroad Retirement Board:							
Limitation on railroad unemployment administration fund	8,578	4,822	Yes	July 1, 1973	July 1, 1973	4	I.
Limitation on salaries and expenses	20,830	500	No	Jan. 18, 1974	Jan. 18, 1974	1	I.
Small Business Administration: Business loan and investment fund	(173,100)	(41,316)	Yes	June 29, 1973	July 1, 1973	2, 4, 6b	I.
	(178,100)	(48,294)	Yes	Aug. 31, 1973	Aug. 31, 1973	2, 4	I.
	348,700	31,094	Yes	Sept. 27, 1973	Sept. 27, 1973	2, 4	I.
Water Resources Council: Water resources planning	(8,611)	(27)	No[40]	Aug. 24, 1973	Aug. 24, 1973	2	I.
	8,669	[41] (27)	NA	Mar. 27, 1974	Mar. 27, 1974	10	VI.
Temporary Study Commissions: Commission on American Shipbuilding, salaries and expenses	205	57	NA	Dec. 10, 1973	Dec. 10, 1973	2	II.[42]
National Commission for the Review of Federal and State Laws Relating to Wire-tapping and Electronic Surveillance: Salaries and expenses.*	167	165	Yes	Feb. 25, 1974	Feb. 25, 1974	4	I.

[1] Funds have not been apportioned pending review of plan.
[2] Funds reserved pending Presidential decisions.
[2a] This reserve was released on Apr. 25, 1974.
[3] The amount apportioned is consistent with the limitation on the foundation's activities according to Public Law 93-52 as amended.
[4] Funds in excess of $10,000,000 are not available in Fiscal Year 1974 pursuant to Public Law 93-240.
[5] The 1973-74 rural environmental assistance program funds lapsed on Dec. 31, 1973. The Sept. 30 report incorrectly listed the funds as available beyond Fiscal Year 1974.
[6] The funds in reserve have been apportioned pursuant to a U.S. District Court order which reinstated the 1973 REAP program.
[7] The amount apportioned in this account is also apportioned in the Agricultural Stabilization and Conservation Service, salaries and expenses account.
[8] The program level is above the amount reflected in the Fiscal Year 1975 budget.
[9] The amount apportioned in this account is required to finance a loan approved at the end of Fiscal Year 1973.
[10] This apportionment action was inadvertently excluded from the Sept. 30 report.
[11] The Fiscal Year 1974 appropriation provides for program operation for the summer of calendar year 1974.
[12] Fiscal Year 1972 contract authority in the amount of $24,600,000 will lapse on June 30, 1974.
[13] Code 6d was inadvertently excluded from the Sept. 30 report.
[14] Anticipated deposits are currently estimated at $5,000,000 more than anticipated in the budget estimates submitted to the Congress in January 1973.
[15] Funds are being held in reserve to cover operating costs during the exhibition period.
[16] This account title was changed from "Research, Development, and Facilities" on Dec. 31, 1973.
[17] The reserve is to be applied against increased pay costs when transfer is approved by Congress.
[18] This account was combined with the "Operations, Research, and Facilities" account on Dec. 31, 1973.
[19] Reason code 1 was incorrectly applied to the entries in the Sept. 30 report.
[20] The reserve was made at the request of the Canal Zone Government as a contingency for possible future inspection services.
[21] The reserve action will increase the program level to a level greater than that contemplated in the most recently submitted budget document.
[22] The apportionment releasing the reserve was incorrectly excluded from the Sept. 30 report.
[23] The apportionment of funds in reserve is temporarily deferred until sufficient information is available for inplementing the new public land survey program. The new program was funded for the 1st time in the 1974 supplemental, (Public Law 93-245) enacted Jan. 3, 1974.
[24] Each reserve includes $30,000,000 of contract authority which becomes available at the 1st of each fiscal year and expires at the end of each fiscal year (16 U.S.C. 460L-10a); all other funds are available beyond 1974.
[25] The Department of the Interior has no present plans for the use of these funds which are available only for the development of water wells on public lands.
[26] Reason code 5 was incorrectly included in the September 30 report.
[27] Reason code 4 was inadvertently excluded from the Sept. 30 report.
[28] Reason code 6b was incorrectly included in the Sept. 30 report.
[29] No replacement or operation and maintenance work is currently necessary. (See footnote 30.)
[30] 66 Stat. 754 requires that certain miscellaneous revenues be deposited in a special fund to provide for the replacement of the project works and to defray annual operating and maintenance expenses when necessary.
[31] The reserve, made at the request of the Department of Labor, does not change expected payments for benefits as estimated in the latest budget document. The reserve reflects reimbursements from other agencies in excess of the amounts estimated in the budget document. The release of the reserve would increase availability above expected needs. The reserve is available for benefit payments if required benefit payments exceed current estimates.
[32] This amount is potentially available for use under 1975 contract authority; the amount to be made available to each State for obligation in 1975 is anticipated to be announced by the Department of Transportation on July 1, 1974.
[33] The Sept. 30 report incorrectly reported the reserve as unavailable beyond fiscal year 1974.
[34] $9,000,000 was transferred by the 1974 Department of Transportation Appropriation Act to the traffic and highway safety account.
[35] The authority for loan approval expired on June 27, 1973.
[36] The amount apportioned is the full amount legally available until action is taken on the amendment to the Rail Passenger Service Act of 1970.
[37] The reserve is required because the Congress previously provided permanent, indefinite authority (Public Law 92-500) for the subsidy payment. The funds in reserve will be written off in fiscal year 1974.
[38] Contract authority of $75,000,000 expires at the end of fiscal year 1974; the balance is available beyond fiscal year 1974.
[39] This reserve action was taken at the request of the Occupational Safety and Health Review Commission due to hiring delays. The reserve is available as a contingency against an increase in future contested citations.
[40] The Sept. 30 report incorrectly reported the reserve as available beyond fiscal year 1974.
[41] The funds in reserve were not needed and written off on Apr. 8, 1974.
[42] The Commission on American Shipbuilding (authorized under the Merchant Marine Act of 1970, Public Law 91-469) was terminated on Dec. 20, 1973. The funds in reserve that are not needed in fiscal year 1974 will be written off.

CONCLUSION OF MORNING BUSINESS

Mr. MANSFIELD. Is there further morning business?

The PRESIDENT pro tempore. Is there further morning business? If not, morning business is concluded.

APPOINTMENTS BY THE PRESIDENT PRO TEMPORE

The PRESIDENT pro tempore. The Chair, pursuant to Senate Resolution 222, authorizing a national ocean policy study and designating the membership thereof, appoints the following Senators to be members-at-large: Senators HUMPHREY, JOHNSTON, and BENTSEN to be the majority members-at-large; Senators TOWER, PACKWOOD, and ROTH to be the minority members-at-large.

Under the resolution the following Senators are also designated as members: From the Committee on Commerce—Senators MAGNUSON, PASTORE, HARTKE, HART, CANNON, LONG, MOSS, HOLLINGS, INOUYE, TUNNEY, STEVENSON, COTTON, PEARSON, GRIFFIN, BAKER, COOK, STEVENS, and BEALL; from the Committee on Appropriations—Senators CHILES and MATHIAS; from the Committee on Government Operations—Senators RIBICOFF and PERCY; from the Committee on Public Works—Senators MUSKIE and BUCKLEY; from the Committee on Foreign Relations—Senators PELL and CASE; from the Committee on Labor and Public Welfare—Senators WILLIAMS and SCHWEIKER; from the Committee on Interior and Insular Affairs—Senators METCALF and HATFIELD; from the Committee on Armed Services—Senators SYMINGTON and WILLIAM L. SCOTT.

EXTENSION OF POSTAL RATE ADJUSTMENTS

The PRESIDENT pro tempore. Under the previous order, the hour of 10 a.m. having arrived, the Senate will proceed to the consideration of S. 411, which the clerk will state.

The assistant legislative clerk read as follows:

S. 411, to amend title XXXIX, United States Code, relating to the Postal Service, and for other purposes.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Post Office and Civil Service with an amendment, to strike out all after the enacting clause and insert:

That section 3626 of title 39, United States Code, is amended as follows:

(1) Subparagraph (1) is amended by striking out the word "tenth" and inserting in lieu thereof the word "sixteenth" and by striking out the word "and" following the semicolon.

(2) Subparagraph (2) is amended—

(A) by inserting the word "former" between the words "under" and "sections";

(B) by striking out "4452(a),";

(C) by striking out the word "fifth" and inserting in lieu thereof the word "eighth";

(D) by striking out "subsection" and inserting in lieu thereof "subparagraph"; and

(E) by striking out the period and inserting in lieu thereof a semicolon and the word "and".

(3) Immediately below subparagraph (2), add the following new subparagraph:

"(3) the rates for mail under former section 4452(a) shall be equal, on and after the first day of the fifth year following the effective date of the first rate decision applicable to that class or kind, to the rates that would have been in effect for such mail if this subparagraph had not been enacted."

SEC. 2. Nothing in section 1 of this Act shall be construed to authorize a reduction in any rate of postage in effect and being paid on the date of enactment of this Act.

SEC. 3. Section 2009 of title 39, United States Code, is amended by adding at the end thereof the following: "The budget program shall also include separate statements of the amounts which the Postal Service requests to be appropriated under subsections (b) and (c) of section 2401 of this title. The President shall include these amounts, with his recommendations but without revision, in the budget transmitted to Congress under section 11 of title 31.".

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

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

The second assistant legislative clerk proceeded to call the roll.

Mr. McGEE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. FONG. Mr. President, will the Senator yield?

Mr. McGEE. I am glad to yield.

Mr. FONG. Mr. President, I ask unanimous consent that Alyce Thompson and Ray Yuen be allowed on the floor during the consideration of this bill.

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

Mr. McGEE. Mr. President, I ask unanimous consent that the following staff members of the committee be permitted on the floor during the consideration of S. 411: John Giannini, Wayne Schley, Rod Crowlie, Dick Fuller, Dan Doherty, and Clyde DuPont.

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

Mr. McGEE. Mr. President, S. 411 represents the first amendemnt to the Postal Reorganization Act to be considered by the Senate since the act became law in 1970. It is the initial result of very careful continuing committee surveillance over the Postal Service as it has progressed under the new semiautonomous governance mandated by the Reorganization Act—an oversight function which culminated early this year in committee report No. 93-737 resulting from the committee's year-long investigation of the quality of our postal service.

S. 411, which may be followed by additional recommendations by the committee to the Senate, reflects changes in the Reorganization Act made in the hindsight of our experience since 1970. This experience shows that, in furtherance of postal policy as stated in the act—

[The Postal Service shall] bind the Nation together through personal, educational, literary, and business correspondence of the people.

We must slow down the schedule of steep postal rate increases required by the act. Such a slowdown in no way interferes with the purpose of the act to bring all rates eventually up to those the act prescribes. But it gives the mailers involved a little longer to adjust to the impact of paying full rates. Current rate increases for the mailers covered by this bill, draconian in their total effect even in these days of rapidly rising costs all across the board, must be modified if the publishing industry, both profitmaking and nonprofit, is to avoid an increasing enfeeblement in its ability to serve the public. It is the public, needing a free and viable national press, which is the true beneficiary of this legislation.

Under S. 411 the number of years for the annual phasing of second-class profit publications, controlled circulation publications and fourth-class books and records would be increased to 8 years from the 5 years now prescribed. The number of years for phasing of second-class nonprofit publications, third-class nonprofit mail and fourth-class library mail would be increased to 16 years from the existing 10 years.

The committee's investigation of the Postal Service and our report to the Senate make it clear that modernization, positive cost control, and fiscal self-sufficiency for the Postal Service will take longer to achieve than we generally believed when postal reorganization was deliberated in 1969 and 1970. The committee at that time relied heavily upon the Kappel Commission report, believed to be a thoroughly documented and comprehensive study made by communications experts. This report of a presidentially appointed commission, together with representations made to the committee by former Postmaster General Winton Blount, painted a rosy picture of the future, to be brought about "by businesslike management in the Post Office," if only full and complete postal reorganization were authorized by the Congress. Improved service, reduced costs, and stabilized, at least, postal rates would be achieved within a reasonable period of time, we were told. The committee, generally confident of these forecasts, yet with some misgivings, recommended a total reform bill, giving the administration, in substantial part, almost all that the Kappel Commission recommended.

Events have not supported the Commission's look into the crystal ball. The Kappel Commission estimated that postal savings could be realized at a rate of more than $1 billion a year. Instead, Postal Service expenditures have increased at an annual rate in excess of 10 percent since fiscal year 1970, and for fiscal year 1974, the Postal Service estimates a net operating loss of $385 million. Mechanization and the concomitant increases in productivity have not been achieved as projected, despite the Postal Service's access to $10 billion in capital funds available through the sale of bonds and outside the appropriations process.

We do not now, with the benefits of hindsight, question the sincerity of those

who advised the Congress 4 years ago. And the committee's goal is still the goal established under the act—to bring about eventual self-sufficiency for the Postal Service. But some of the premises on which the act was based have proven to be inaccurate and changes are now called for.

Postal rates, for from becoming stabilized, have increased rapidly. On February 1, 1971, the Postal Service requested the Postal Rate Commission to recommend increases of 127 percent in second-class mail rates. Since that time, additional rate increase requests have been made by the Postal Service. It is inevitable that further rate increase requests will be made before the end of the phasing periods now provided by law. Average rate increases of 300 percent for regular-rate, second-class mail and up to 700 percent for second-class, nonprofit mail are likely to be put into effect, unless there are changes in the present law. These unforeseeable consequences have led the committee to reconsider the phasing periods presently contained in the law. These high rates are the basis upon which the committee recommends that the phasing period be extended to permit the classes of phased mail additional time to adjust to rates that have been approved, proposed, and to those that will yet inevitably occur.

Mr. President, the Postal Reorganization Act took Congress out of the ratemaking business. S. 411 does nothing to restore the ratemaking function to Congress. It does not interfere with the authority of the Postal Rate Commission to determine and fix postal rates, nor with the authority of the Postal Service to suggest appropriate rates to the Commission. To ease the shock of sudden increases upon second-class mailers, the act provides a 10-year period of adjustment for nonprofit mailers and a 5-year period of adjustment for regular-rate, second-class, controlled circulation and some third- and fourth-class mailers whose rates have been kept specially low. This bill does not set rates; it extends the 10-year period to 16 and the 5-year period to 8. But the provisions of that extension apply to rates set by the Postal Rate Commission, not by the Congress.

The changes proposed by S. 411 are well within the sphere of congressional authority and constitute an inescapable part of congressional responsibility. The Constitution gives Congress authority to "establish post offices and post roads." In the Postal Reorganization Act, Congress has seen fit to delegate certain aspects of its power to an administrative agency, the Postal Rate Commission, and to create a Postal Service to execute policy enunciated by Congress. Nevertheless, the responsibility and authority for overseeing how the Commission uses its delegated authority and how the Postal Service meets its statutory responsibilities will always remain with Congress. The Committee asserts its strong belief that the Congress must vigorously exercise its oversight function and stand ready to make amendments to the Postal Reorganization Act when circumstances change and it appears that, otherwise, the original and basic purposes of the act are not being served. Circumstances since 1970 have changed. Thus the committee has acted on S. 411 to bring about improvements that are in accord with the purposes of the Act.

Since May of 1971, second-class regular postal rates have been increased by 74 percent; by 1976, they will have been increased by at least 217 percent and there is the very strong probability, in view of constantly increasing postal costs, that by then these rates will be increased 300 percent over 1971 rates. Newspaper rates are increasing at a similar order of magnitude, and increases up to 700 percent by 1976 for second-class, nonprofit mail are likely unless Congress acts.

It is true that prices everywhere are going up and that costs of labor, paper, ink, and everything else it takes to publish newspapers and magazines are rising. But no publishing cost is increasing annually by as large a percentage as postal rates. It is the sheer magnitude, the dramatic steepness of postal costs resulting from current and pending increases as well as those that will inevitably occur in the foreseeable future that cry out for congressional action now.

Mr. President, section 3623 of the Postal Reorganization Act sets forth as one of the criteria for setting postal rates "the relative value to the people of the kinds of mail matter entered into the postal system." The historian Arthur Schlesinger comments on this in his testimony before the Postal Rate Commission. He writes:

> Little is so vital to the future health of the Republic as the encouragement of freedom and diversity in our media of news and opinion. For 200 years, freedom of information has been deemed a top priority in our political and social order. This freedom was cherished by the Founding Fathers; it was enshrined in the Bill of Rights. . . . . If a nation wants to make freedom of information more than a piety, it must pay some attention to the construction of a context in which men and women will be protected and encouraged in the pursuit and communication of knowledge.

He goes on:

> To condemn magazines to a lingering death, would be not only to impoverish the Nation's intellectual and cultural life but to weaken the foundations of the Republic.

Yet major publications which have provided a flux of information for the American people have died in recent years, others are in serious trouble, and publishers are seeking means other than the mails for distribution. We are all aware that postage costs were a contributing factor in the demises of Look, the weekly Saturday Evening Post, and Life, once the world's preeminent medium of words and pictures. Referring to Life's discontinuance, Time, Inc.'s board chairman has stated:

> The fact is that high postal rates were a major reason for us to suspend operations. In its last three years of operation, Life's annual loss before taxes averaged $6.7 million. As we looked ahead there were scheduled postal rate increases that would have more than doubled that loss by the end of four years. It should be evident to any observer that Life simply could not continue with such increases in prospect.

This year Intellectual Digest has succumbed, as well as the 82-year-old Architectural Forum. Small magazines fear for their lives, knowing that their slim margins of profit cannot withstand continued rate increases. People, the new Time, Inc. publication, is marketed almost exclusively on newsstands where its format and subject matter make it competitive; apparently its publishers purposely have avoided depending for survival upon mail distribution involving high costs now and unforeseeable increases in the future.

Yet magazines such as Harper's, the Atlantic, the New Republic, and Psychology Today cannot resort to newsstand distribution exclusively. Newsstand space is at a premium. Sales depend upon display covers, impulse buying, and broadly popular subject matter more oriented to entertainment than informational in content. Traditionally, magazines of literature and opinion have depended almost entirely upon mail distribution. Upon the demise of Intellectual Digest, an official of the Ziff-Davis Publishing Co. said:

> What this country needs is more magazines like Intellectual Digest, but what it's getting is more and more sex magazines.

Irrespective of mode of distribution, total magazine volume is decreasing—from 5,519,000 in 1971 to a projected 4,947,000 in 1975.

Recently, Mr. Norman Cousins, editor of Saturday Review/World, wrote to me in support of S. 411. Members will recall that he founded World magazine, a biweekly devoted to ideas and the arts, in 1972. Previously, he was for more than three decades editor of the Saturday Review. He reacquired the Saturday Review in 1973 and merged it with World into a single publication. He wrote:

> The purpose of this letter is to go on record with you and your colleagues that such legislation is absolutely necessary if magazines such as Saturday Review/World are to continue to function in their present form. We have already absorbed substantial postal increases during the past several years, and absent relief now, are due for additional increases that will double present rates in just over two years from now.
>
> Some would say we should be able to adjust by changing our methods of operation. My publication cannot eliminate reduced-rates subscriptions because we don't offer them now. We cannot sell more copies on the newsstands because display space for publications like ours that appeal to a special audience is limited. And we would not want to downgrade the editorial thrust of SR/World or sacrifice its quality to gain a few more over-the-counter sales.
>
> I believe many other editors and publishers face the same dilemma as I at this critical time. They want to continue to publish the finest products that broadly diverse American talents can create, yet they will be seriously handicapped from doing so if their cost of distribution through the mail continues to rise at rates far higher than other costs in today's inflationary economy.
>
> I urge you and your colleagues to act before it is too late.

Mr. President, in 1972, a survey was made of 58 magazines with a total circulation of 1.6 billion net paid copies. This survey, dealing with the relationship be-

tween magazine profits and postal rates, shows—

Aftertax profits amounted to about 2.6 percent of total magazine revenues.

Second-class postage was equal to almost 5 percent of revenues.

Other postal costs—for first-, third-, and fourth-class mail—took another 4 percent of revenue.

Total postal cost amounted to more than 9 percent of revenue.

Profits measured against net worth or equity appeared higher than when compared with revenues. But magazine profitability is still significantly poorer than that of companies generally in the economy. The survey shows that magazine publication is a low-profit-margin industry, with each dollar of revenue yielding very slim profits. Increasing postage costs threaten to consume such a large share of the revenue dollar that the profit margin can be wiped out in the final years of phasing called for by existing law.

The average American not only receives his magazines and newspapers by mail, he also receives his church, fraternal organization, and charity communications that way—his religious newsletter, the American Legion magazine, Boy Scout publications, and literature from worthwhile charities in which he is interested. Much of the benefit of the extended phasing of this bill will go to nonprofit second- and third-class mailers. These mailers are religious, educational, scientific, philanthropic, agricultural, labor, veterans, and fraternal organizations whose mailings, under law, may never exceed attributable costs. Their rates may not, in other words, contribute to the defrayment of Postal Service overhead. By fiscal year 1975, it is estimated that nonprofit second-class mailings will total 2.3 billion pieces. Magazines and newspapers operated for profit will total 6.5 billion pieces. Thus, the phasing of rates constitutes a greater percentage of the total for nonprofit publications than for regular-rate publications. Nonprofit publication mailers will benefit substantially from the enactment of S. 411.

Mr. President, S. 411 leaves unchanged the 5-year phasing period for regular-rate, third-class bulk mail. Although the Postal Reorganization Act provides that this class of mail shall be phased, regular-rate, third-class has been denied that benefit. The Office of Management and Budget, engaging in its own exercises in postal ratemaking, has failed to request the necessary revenue-foregone appropriation. Section 3 of S. 411 would relieve this impasse by requiring the President to send to Congress in his budget the amounts required to comply with the authorization in the act to reimburse the Postal Service for revenue foregone.

Mr. President, on April 30, 1974, 29 days after S. 411 was reported to the Senate, my able colleague on the committee, Senator HIRAM FONG, the ranking minority member, issued his minority views opposing enactment of S. 411. Some of the statements in his report urgently require clarification.

First, the minority views misconstrue the nature and purpose of the public service subsidy authorized by the act. The public service subsidy, from 1972 through 1979, consists of 10 percent of the total cost of operating the Postal Service in the year 1971. After 1979, that amount is reduced by 1 percent per year. The minority report states that the mailers involved in S. 411 "already receive two kinds of subsidies." It says that one of these is the public service subsidy.

The Senate report on the Postal Reorganization Act characterizes this subsidy as follows:

As a permanent ingredient of the new Postal Service, the Committee recommends that in recognition of the losses incurred in maintaining post offices outside of metropolitan areas, the Congress shall appropriate a percentage of the annual operating cost of the Postal Service. . . . This subsidy would be based on the requirement that the Postal Service maintain high quality service in rural areas, small towns, and other places where post office and other governmental service provided by the Postal Service are not self-sustaining."

I might point out that Senator FONG's home State of Hawaii, my own home State of Wyoming, and other States without large cities or remote from the mainland ore locations where the post office is not "self-sustaining."

Those who took part in the deliberations on the Postal Reorganization will recall that there was an implicit recognition that the public-service appropriation embodied more than just making up the deficit for service to rural and remote areas. It was generally understood that the Postal Service could not attain self-sufficiency immediately and that this appropriation was for the benefit of all classes of mail, separate and apart from the phasing relief which S. 411 would extend. Continued public support at the levels authorized was necessary to avoid precipitate rate increases on first-class mail and parcel post until such time as the Postal Service could achieve savings from modernization.

The public service subsidy is totally consistent with, and flows from, the basic policy of the act spelling out the function of the Postal Service "to bind the Nation together." It constitutes the fundamental influx of public money into the Postal Service, money not earmarked for any specific purpose, but intended to promote the public interest by facilitating the functioning of a national communications network.

The public service appropriation as a percentage of total postal costs is now substantially less than the 10 percent of 1971 costs authorized by the Act. This appropriation will constitute only 7.8 of the fiscal 1975 budget and will decline more rapidly in the coming year. The recent committee report to the Senate on the quality of postal service states that—

Inexorable postal economics would seem to show that the public-service subsidy provided by law should have been set even higher.

The report, in which Senator FONG concurred, goes on—

If the postal system is going to maintain service at levels which are compatible with what the public can reasonably be expected to pay, it will probably be necessary for the Congress to provide a greater degree of support through Treasury financing than was envisioned in the original provisions of the 1970 Act. . . . The amount of Treasury financing for the Postal Service can actually be considered the taxpayers' contribution to the creation of the superlative Postal Service envisioned by the Kappel Commission Report.

Clearly this subsidy is not intended to benefit any single group of mailers, as the minority report implies.

The minority report presents financial data on 11 carefully selected large newspaper and magazine publishers, completely ignoring all other publishers in the country. There are approximately 33,000 second-class publications of which about 10,000 are magazines and the rest newspapers. There are approximately 250 major publishers who belong to the Magazine Publishers Association and the American Business Press, only 11 of which the minority report singles out as targets.

The minority report ignores the value to newspaper and magazine readers and to the public generally of the Nation's maintaining a low-cost, diverse and healthy press.

It ignores the changes in the nature, content, and character of the press that will come about as the press struggles to survive higher postal rates—significantly higher subscription prices, reduced frequency of publication, lower circulation, diminished quality of content and increased quantity of the types of entertainment-oriented magazines that "sell" on the newsstands.

Mr. President, the benefits to be derived from S. 411, resulting from an objective reassessment of the impact of spiraling postal rates on publishers, far exceed its cost in the coming fiscal year of $45.2 million. It is a bill designed to benefit the general public by strengthening the free press. I hope Members will agree with me that this measure deserves the strong support of the Senate.

Mr. President, I wish to mention two or three things in regard to the pending legislation in a very summary way so that I might then yield to my colleague, the distinguished ranking minority member of the Committee on Post Office and Civil Service, the Senator from Hawaii (Mr. FONG).

What it is and what it is not make a great deal of difference. We have had some mail on this matter and we have had conversations with individuals on the bill, and the amount of misinformation or misrepresentation of it is rather considerable. So first of all I wish to stress that this is not a change in the structure of the Postal Reorganization Act of 1970, no change of its basic ingredients. In that Reorganization Act, we sought to adjust the postal system to a more efficient performance with the application of some business management know-how, and we also sought to narrow the gap between what it cost to operate the postal system and what the users pay for that service. In this process, of coutse, we had to direct our attention to those classes of mail that were

heavily subsidized under the old postal system.

Under the old postal system I think it is safe to say that few classes were really paying their own way and all other classes were subsidized in one way or another by the low charges for the services they received.

While there has been a popular fettish about attacking junk mail, it should be pointed out at this stage that the regular bulk mail users were among those who paid the higher proportion of the real cost of the service they used; and it was the second class, other third class and other mailers who generally paid a lesser percentage of the cost. But realizing that you could not adjust business commitments and capital commitments in a short interval of time, the committee responded to the petitions of those in business who used the mail to try to phase out the increased rates that they now pay; that is, we recognized that flipping over from 27 percent, which some were paying at that time, to 100 percent in a single year would have consequences that would be disastrous for almost every publication.

So in consultation with those who use certain classes of mail, in consultation with ratemakers, and in consultation with many groups that were concerned with the proposition of public service in the postal system, we arrived at an agreement at that time that we would give all those who use the mail for a profit, all businesses who are in business to make money, 5 years from the time the first rate decision became the law of the land to phase out their subsidies. We allowed to all nonprofit users of the mails, such as libraries, schools, patriotic organizations like the American Legion, and other kinds of professional groups that clearly were nonprofit and did not carry advertising in their little magazine or literature, 10 years to phase in their increased postal costs.

All sides agreed that that looked to be a good guess as to what would be a reasonable phasing time. Well, here we are now in May of 1974, nearly 3 years later, and obviously, or hopefully, we are 3 years wiser from what we have discovered in those 3 years. Looking backward, the time intervals we allowed may have been a bit too precipitate, even so. I know the common argument suggested, that there are magazines that are making great profits and, therefore, they ought to be made to pay their way now, and 11 of those magazines are often singled out. But there are several hundred magazines, small publications, idea magazines, discussion magazines, and information journals, that are not represented in those magazines that happen to be making a great profit.

We took Congress out of the ratemaking business deliberately, just as we took Congress out of the politics of the old postal system in an attempt to close the gap and make it more efficient and equitable. In that process we created a new Rate Commission to become the experts, with the expertise to arrive at the equities in these adjustments.

So all the Committee on Post Office and Civil Service seeks to do in this bill is to phase out for a slightly extended interval of time, 3 years to be exact in the case of profitmaking users of mails, stretching from 5 years to 8 years the time in which they must phase out from their subsidy, and stretching to 16 years for the nonprofit magazines and other organizations that use second-class and some third-class and special fourth-class mail.

But I stress again that this simply is trying to update and correct a precipitate judgment that had to be made as a "guesstimate" three and a half years ago because we did not know for sure and we had to try to find out in which direction we might be led off the target. It is the committee judgment that even with the 11 "biggies" that were making money, even now, and in all equity they probably should not have relief, a few cannot be selected and told, "You do not get this relief," and give it to others; or it cannot be denied to the great mass that need it if they are going to stay in business at all, by trying to knock down Reader's Digest or other publications that are cited.

Mr. President, the point I was just making is that the committee, in this measure, is seeking to simply extend slightly the length of time that the users of these classes of mail are to be allowed for the phasing out of their rate subsidy which exists at the present time. I want to disabuse anyone of the idea that we are trying to institute subsidies for those who use the mails. We are striving to phase them out. We are striving to do so with equity. We are striving to do so by making sure we keep in business those smaller journals in particular which have contributed so much to the warp and woof, to the emergence of ideas, to the challenges and thrust of new directions in our thought processes in this country, and those journals that serve good causes in all communities.

And if we make any mistakes today—and we canont be sure we are absolutely right as we draw this line—let us make the mistake in favor of keeping them in business rather than putting them out of business and then trying to do something about it when it is too late.

What this really is, is an effort to update and modernize a guesstimate we had to make three and a half years ago. We are simply seeking to bring it into accord with our experiences since then. It still phases them out. It does not carry them along free. Each year their rates will go up. But the percentage of those rate increases will be spun out over the extended interval of 8 years from the initial rate decision under the Reorganization Act for all profit users of the mail and 16 years for all nonprofit users of the mail.

I am going to conclude my remarks at that point, having put in a much fuller statement of this matter, but at this point I would like to have inserted in the RECORD prepared remarks on this question by the distinguished Senator from Arizona (Mr. GOLDWATER).

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

STATEMENT BY SENATOR GOLDWATER

THE COMMUNICATION OF KNOWLEDGE BY THE MAILS—"THE SECURITY OF A FREE CONSTITUTION"

I rise to speak of knowledge and the diffusion of knowledge. I speak of the knowledge which our Founding Fathers saw as "the security of a free Constitution." Also, I speak of the democratization of knowledge, the unique achievement of America which has given our people ready access to the printed word on a scale unmatched anywhere else in the world.

Mr. President, the knowledge of which I speak is knowledge diffused among the public by newspapers and magazines, by library books and by school classroom and religious instruction materials—by publications which have traditionally been disseminated in America through the public mails.

This is what S. 411 is all about. It is aimed at preserving the communication of thoughts, arguments and news by the mails, which for two centuries now has served to secure the success of America's experiment in popular self-government.

If we would recall our history, Mr. President, we would remember that when controversy over ratification of the Constitution was at its height, the papers today known as *The Federalist*, which had such a powerful and favorable influence on public opinion, were communicated in newspapers and gazettes delivered through the post offices.

So, in 1788, when a new post office regulation threatened to impede the movement of publications "at the instant when the momentous question of a general Government was to come before the People." George Washington was aroused to protest. He pointed out that the interruption in the usual circulation of the news "has not only given great concern to the friends of the Constitution, who wished the Public to be possessed of every thing, that might be printed on both sides of the question; but it has afforded its enemies very plausible pretexts for dealing out their scandals, and exciting jealousies by inducing a belief that the suppression of intelligence, at that critical juncture, was a wicked trick of policy, contrived by an Aristocratic Junto. Now, if the Post Master General . . . has any candid Advisers who conceive that he merits the public employment they ought to counsel him to wipe away the aspersion he has incautiously brought upon a good cause. . . ."

I might add that it is new rulings by a modern-day Postmaster General that again threatens the regular circulation of the printed word, As adequate recognition was not given to the contributions to society made by gazettes and periodicals carried in the 1780's, so it has not been recognized in the setting of postal rates for newspapers and magazines of the 1970's.

The dissemination of publications by the mails remained important to Washington during the remainder of his life. In a draft, which Washington intended as his Inaugural Address, he argued the importance to society of "communications through the regular Posts." "I need not say how satisfactory it would be," he wrote, "to gratify the useful curiosity of our citizens by the conveyance of News Papers and periodical Publications in the public vehicles without expense." In other words, newspapers and magazines should be carried free.

In his first annual address, delivered in the Senate Chamber on January 8, 1790, then President Washington explained with care the fundamental value of the communication of knowledge to the greatest number of people. He advised: "Knowledge is in every country the surest basis of public happiness. In one in which the measure of Government receive their impression so immedi-

ately from the sense of the community as in ours, it is proportionably essential. To the security of a free Constitution it contributes in various ways. By convincing those who are entrusted with the public administration, that every valuable end of Government is best answered by the enlightened confidence of the people, and by teaching the people themselves to know and to value their own rights to discern and provide against invasions of them; to distinguish between oppression and the necessary exercise of lawful authority; between burdens proceeding from a disregard to their convenience, and those resulting from the inevitable exigencies of society; to discriminate the spirit of liberty from that of licentiousness, cherishing the first, avoiding the last, and uniting a speedy but temperate vigilance against encroachments, with an inviolable respect to the laws."

What this means, Mr. President, is that the dissemination of knowledge is fundamental to the preservation of our freedoms and popular form of government.

With this background, we can better view the purpose of the authority granted Congress by Section 8, Clause 7, of the Constitution: "To establish post offices and post roads." We can understand the Congressional intent, in enacting the Postal Reorganization Act of 1970, to continue the great American tradition of facilitating the circulation of the printed word. We can know that Congress had a precise and serious purpose in mind when it set forth in Section 101 of that Act its policy that the "U.S. Postal Service shall be operated as a basic and fundamental service to the people by the Government of the United States. . . ."

Congress intended by this that whenever there is a conflict between the ability of the public to obtain a wide range of printed information in the mails, or the ability of the Postal Service to be strictly self-sufficient, it is the purpose of information which should prevail.

Mr. President, the enormous increases in postal rates are endangering the reading public. The typical rate hike on regular second-class publications is at least 217%, and is likely to be 300%, from 1971 to 1977. Newspapers and magazines circulating within the county of publication will suffer an increase of 334% over the same period. The increase on nonprofit publications, delivered out of county, is 574%.

These costs are so big, and they threaten to consume such a large share of the revenue dollar, that many publications simply cannot absorb them. In stark terms, the publications industry is a high-risk and low-margin industry.

I am about to reveal an untold fact of the publication world. During the eight year period from 1965 through 1972, 718 new magazines were launched. However, by 1973 more than 70% of these magazine were no longer being published. Of the 718 new publications, only 205 were still alive in 1973. This signifies an over-all death rate of 72%, meaning less than a 3 in 10 chance of survival.

With this vulnerability, there is a very real danger that many more newspapers and periodicals will be forced to go out of business because of higher postage costs. Those which do survive may be drastically changed in format or frequency of publication. Instead of offering the public a great variety of viewpoints and information on general issues and events, publications may be far less responsive to public needs. The problem is that no one can predict what changes in society may be set in motion if the people can no longer select from among a vast range of informative printed materials.

We must not depart from the historic role of government in granting a service to the American people by carrying printed publications at rates which encourage their broad circulation. S. 411 is designed to preserve this historic role of the Post Office, and I implore my colleagues, for the good of the people, to approve this purpose.

Mr. McGEE. Mr. President, by arrangement with our time format here, I have agreed to yield the floor to the very distinguished ranking minority member of the committee, who has had great input into this matter, who has a disagreement with a substantial majority of the committee on whether or not this phase-in is justified or not. It is an open case. As I understand it, he may need as much as the next hour or so, and then I would like to have a little colloquy with the Senator from Maryland on a minor matter he has in connection with this.

Mr. FONG. Mr. President, whenever the distinguished Senator wishes to have a colloquy with another distinguished member, the Senator from Hawai will be glad to yield.

Mr. McGEE. I yield to the Senator.

Mr. FONG. Mr. President, I rise to oppose passage of S. 411. This bill increases the postage subsidies for magazine, book, and newspaper publishers, record manufacturers, and nonprofit organizations.

In my minority views, I cited certain subsidy payments for mailers. Since submitting my views, I have been advised that the figures I cited for these subsidies are understated by at least $4,302,000,000.

In other words, present subsidies, plus the additional subsidies in S. 411, which is the bill we are now debating, will cost American taxpayers at least $17,187,700,000.

This is 4,302,000,000 more than I estimated in my minority views.

The reason for that is that we were not able to get the figures at that time. Those figures are now updated.

This huge cost is one of the main reasons I oppose S. 411.

Mr. President, let me state all of my reasons for opposing this bill.

First. S. 411 would further subsidize—by $753,700,000, over three-fourths of a billion dollars—and the postage costs for users of second class mail—the magazine and newspaper publishers; fourth class mail—record manufacturers and book publishers; and, nonprofit organizations—second, third, and fourth class mail.

Second. Under existing law these mailers already receive two kinds of subsidies totaling $15,609,000,000 through 1984.

PUBLIC SERVICE SUBSIDY

a. This is a $10,580,000,000 subsidy for the period 1972–1984, paid out of the general revenues of the U.S. Treasury to subsidize postage for all classes of mail, including postage for newspaper, book, and magazine publishers, record manufacturers, and nonprofit organizations.

This is the first subsidy, a subsidy of $10,580,000,000 for all classes of mail.

REVENUE FOREGONE SUBSIDY

b. Revenue foregone subsidy is divided into two categories—First, phasein subsidy, and second, continuing subsidy for nonprofit mailers.

First. Phasein subsidy—Under present law, under a freeze-in subsidy, newspaper, magazine, and book publishers and record manufacturers are allowed a 5-year period to adjust to full-cost postal rates; nonprofit organizations are allowed a 10-year period to adjust to their full costs.

This adjustment, or phasein subsidy costs the American taxpayer at least $1,602,000,000.

In other words, over a 5-year period from 1972 through 1976, tax revenues extracted from the American people go to subsidize a portion of the postage costs of newspaper, magazine, and book publishers, and of record manufacturers.

Over a 10-year period from 1972–73 through 1982 tax revenues extracted from the American people go to subsidize a portion of the postage costs of nonprofit organizations.

So this phase-in subsidy will cost the American taxpayers at least $1,602,000,000. I use the words "at least" because these subsidies increase as postal rates go up.

Second. Continuing subsidy for nonprofit mailers. This portion of the revenue foregone subsidy is to pay the Postal Service overhead costs allocated to nonprofit mailers. Under existing law, this subsidy will continue indefinitely—for all practical purposes, forever. Profit mailers do pay their allocated share of Postal Service overhead costs. In fiscal years 1972 and 1973, the nonprofit mailers' share of the overhead costs was $201,000,000 annually. This increased to $275,000,000 annually on March 2, 1974.

It is expected that this subsidy will increase in later years to more than $275,000,000 annually.

For the period from 1972 through 1984, the continuing subsidy for nonprofit mailers will total at least $3,427,000,000 and for each year thereafter will cost taxpayers at least $275,000,000 annually. If S. 411 is enacted, an additional 3 years at $275,000,000 per year will bring the total continuing subsidy for nonprofit mailers to $4,252,000,000 through 1987.

This is the subsidy we are now giving to nonprofit organizations like the Red Cross, the Boy Scouts, the American Legion, Veterans of Foreign Wars, to mail their newsletters, to mail whatever they have, to their members.

This subsidy is $4,252,000,000, and every year after 1987, this cost to the mailers will be subsidized to the tune of another $275,000,000 a year. So when we talk about taking care of the nonprofit mailers, we have and will be taking care of nonprofit mailers up until 1987 to the tune of $4,252,000,000 every year from the American taxpayers' pockets.

Together with the phase-in subsidy of $1,028,800,000 this means the American taxpayers would under existing law and the pending bill, be subsidizing nonprofit mailers for a grand total of $5,280,800,000 through 1987, and for at least $275,000,000 a year thereafter.

Under existing law, the grand total

revenue foregone subsidy for both profit and nonprofit mailers under the phase-in subsidy and the continuing subsidy is at least $5,029,000,000 through 1984.

Third. At the time of enactment of the 1970 Postal Reorganization Act, Congress was advised that the newspapers, magazine, and book publishers, the record manufacturers and nonprofit organizations were all in agreement with these provisions of the law and accepted them in toto. These provisions were worked out by Postmaster General Blount, the distinguished Senator from Wyoming (Mr. McGEE), myself, the leaders of the House Post Office and Civil Service Committee, and these mailers. They were all in agreement with these subsidy provisions.

Fourth. The pending bill will award the newspaper and magazine publishers, record manufacturers and book publishers, and nonprofit organizations an additional $753,700,000 subsidy on top of the $5,854,000,000 subsidy—through 1987—they already are entitled to under present law, plus their share of the public service subsidy of $10,580,000,000.

Fifth. With this additional $753,700,000 subsidy to these mailers, the total overall subsidy for all mailers will be $17,187,700,000 if this bill is enacted.

Sixth. All of these subsidies must be paid to the U.S. Postal Service from the General Treasury. These are taxpayers' dollars.

So, the taxpayer pays the subsidies and, in addition, he pays full first-class and airmail postage rates.

Seventh. The additional subsidy contained in this bill is a raid on the U.S. Treasury—a ripoff in today's parlance—as the publishing and record manufacturing industries, the prime beneficiaries of this increased subsidy, are enjoying record profits and circulation. Last year, as reported in Forbes magazine, issue of January 1, 1974, they enjoyed a 12-plus percent return on equity, as compared with all U.S. industries which averaged approximately 11 percent. Any businessman will say that any corporation that can make an 8- to 10-percent return on equity is doing well.

Eighth. Postage costs amount to only 5 percent to 7 percent of total magazine expenses and 2 to 5 percent of newspaper expenses.

Ninth. Nonprofit mailers, which are now exempt from paying any of the Postal Service's overhead costs, now have and will always have a preferential rate equal to one-half the rate charged profit mailers even after the present 9-year non-profit-subsidy period ends.

In other words, the Red Cross, the Boy Scouts, the American Legion, the Veterans of Foreign Wars, will always have a subsidy of one-half of the costs that would be allocated to that type of mailing.

Tenth. These privileged classes, which already receive handsome subsidies and which would receive extra subsidies under the pending bill, if it passes, pay a far lower share of Postal Service overhead than all other categories of mailers, including the ordinary citizen paying first-class and airmail rates.

First-class mailers, Mr. President, according to evidence which we have received from the Postal Service, pay 198 percent of cost coverage, which is 99 percent of the actual overall cost. Priority mail pays 312.5 percent, which is 156 percent of the actual cost.

In other words, these two groups of mailers pay their way.

Third-class regular rate bulk mail, 203 percent, or 101 percent of the cost.

Parcel post and catalogs, 159.8 percent cost coverage, or 80 percent of the total cost.

And second-class regular rate, which we are now talking about, magazines and newspapers, pays a cost coverage of 129.5, which is 65 percent of the actual cost. Already they are paying only 65 percent of the actual cost, whereas first-class mailers, priority mailers, and third-class regular rate bulk mailers are paying more. First class pays 99 percent of the actual cost, whereas priority mail pays 56 percent more than the actual cost, and third-class regular rate bulk mail pays 1 percent more.

Therefore, under this law we have discriminated against the first-class mailer, we have discriminated against the priority mailer, and we have discriminated against the third-class regular rate bulk mailer. We have given a privilege to the second-class mailer of these magazines and newspapers, and now we would give them another subsidy.

Eleventh. This bill with its postal subsidies for privileged classes of mailers will put Congress partially back into the ratemaking business, a duty which Congress specifically delegated to the Postal Rate Commission in the Postal Reorganization Act of 1970. The Postal Rate Commission is currently conducting hearings on postal rates to determine what, if any, rates should be changed. Congress should live up to its commitments and not interfere in the Commission's ratemaking functions.

Twelfth. S. 411 is another in a long line of bills which this Congress has a penchant for passing that pile future financial commitments on the American people. It is another program whose costs will be uncontrollable. S. 411 is further proof of the crying need in this Congress for true budget reform, where, before we consider legislation calling for billions of dollars in subsidies, such a proposal would be subjected to intensive scrutiny to determine its impact on the U.S. Treasury, on the American taxpayers, on the Federal debt, on the Federal deficit, on the Nation's economy, and on inflation.

It mystifies me why the Senate of the United States would want to saddle the taxpayers of the United States with additional burdens, additional deficits, when the American people are already overburdened with too many Federal taxes and by the worst "tax" of all—inflation.

In calendar year 1973, the rate of inflation was 8.8 percent. This year, in the first full quarter, inflation as measured by the Consumer Price Index was running at the rate of 14.5 percent. The big question now, with controls off and energy prices on the climb, is, Will the rate of inflation go even higher?

Everyone knows that the biggest single cause of inflation in America today is the huge Federal deficits we incur year after year.

In the fiscal year ending last June 30, the Federal deficit was $14.3 billion. It is estimated the Federal deficit for the fiscal year ending June 30 this year will be $4.7 billion and on June 30, 1975, it will be $9.4 billion.

And this, Mr. President, is under the unified budget, as distinguished from the general appropriation budget. Senators will remember that when we were at the height of the Vietnam war, when we were spending about $26 billion a year on that war, the President, in order not to have his deficit show so large, included all of the trust fund money, the money that came in from social security and from the gasoline taxes for road purposes, and lumped that all in, giving him an excess of around $7 to $8 billion, so that his deficit could be cut by $7 or $8 billion. So, when I am talking about $9.4 billion, actually I am talking about a $17 or $18 billion deficit, because we are talking about a unified budget.

The main reason for the doubling of the estimated deficit for the coming fiscal year is that Congress has already passed legislation mandating back door spending of an uncontrollable kind.

The Nation's indebtedness in a few weeks, on June 30, is estimated to be $486.5 billion. Think of it, Mr. President. The Nation's deficit; in other words, the Nation owes, as of June 30, $486.5 billion. On June 30, 1975, the Federal debt is estimated to reach $507.9 billion. The interest charges alone on the American taxpayers are climbing and climbing. When are we going to put our financial house in order? If we are ever to get inflation under control, we must control Federal overspending.

While S. 411 does not affect the immediate fiscal years, it will most definitely affect future fiscal years and will be a drain on the U.S. Treasury and the American taxpayers. It has built-in costs that are uncontrollable.

The 13th reason I am against the bill is that S. 411 awards generous subsidies to all magazine, newspaper, and book publishers, all record manufacturers, and all nonprofit organizations, whether they need it or not. Why should healthy companies fat with profits receive such windfalls? There is no justification for it. Those smaller publishing companies which may be in financial distress can go before the Postal Rate Commission, which can study and analyze their problems and provide the appropriate relief. Congress should not be providing windfalls to any select group in America.

Mr. President, in brief, these are my reasons for opposing enactment of S. 411. Now let me explain in greater detail these reasons and the situation on postal subsidies.

PRESENT POSTAL SUBSIDIES BY AMERICAN TAXPAYERS

The Postal Reorganization Act of 1970 directed that all mail users were to pay the costs of all postal operations.

Section 101(c) of the act states:

Postal rates should be established to apportion the costs of all postal operations to all

users of the mail on a fair and equitable basis.

This general policy was modified in subsequent sections of the act in two respects:

(A) PUBLIC SERVICE SUBSIDY

The public service subsidy is appropriated by the Congress out of the General Treasury, annually. It is 10 percent of the fiscal year 1971 appropriations of $9.2 billion for the U.S. Postal Service. This payment will continue at the 10 percent rate for fiscal years 1972 through 1979. In fiscal year 1980 the public service subsidy will be reduced to 9 percent and will thereafter decrease by 1 percentage point per year until 1984 when it will be 5 percent. After 1984, the Postal Service will have the option of requesting 5 percent or less, if it so chooses, for any subsequent fiscal year.

The total public service subsidy for the 13-year period from 1972 through 1984 is $10,580,000,000. This is money coming out of the pockets of the American taxpayers.

(B) REVENUE FOREGONE SUBSIDY

As I have already indicated, the revenue foregone subsidy has two segments. One, the phase-in subsidy and, two, the continuing subsidy.

One. The phase-in subsidy is a decreasing one.

Section 3626 of the Postal Reorganization Act directs that the postal rates for second, third, and fourth class mail be phased in, in equal installments, over a 5-year period for regular—profit—mail users and 10 years for nonprofit. The phasein subsidies under the law were to begin with the effective date of the first rate increase after postal reorganization—July 6, 1972—which was fiscal year 1973. However, we note that subsidies for the phase in of rates actually began in fiscal year 1972, 1 year earlier than authorized under the Postal Reorganization Act.

The difference between the full rates and the phase-in rates for these classes of mail is to be paid out of the General Treasury through annual appropriations by the Congress. The revenue foregone subsidy will decrease each year as the full rates are phased in. The full rates under present law will be reached in 1977 for regular mailers and in 1982 for nonprofit mailers. However, nonprofit organizations will pay only one-half of the regular rate because they are not charged with any of the overhead costs of the Postal Service.

In fiscal year 1972 the phase-in subsidy was $298.3 million and in 1973 it was $310.5 million. The subsidy for these rates would normally decrease under the law. However, because a second postal rate increase was put into effect on March 2, 1974, while the July 6, 1972 rates were being phased in, the subsidy will increase due to the piggyback effect of one rate on another.

In fiscal year 1974, the phase-in subsidy will be $291.9 million and then, because of the piggyback of the new rates, the subsidy will jump to $341.7 million in 1975.

Under these two rate schedules the projected cost of this phase-in subsidy will then decrease each year until in 1987 it will be $8.5 million.

The total cost of the phase-in subsidy over the full 10-year period, assuming postal rates remain as they are now, will total $1,602,000,000.

S. 411 will add an additional $753,700,000 to this subsidy, for a total revenue foregone phase-in subsidy of $2,355,700,000.

Second. The continuing subsidy is the difference between the preferred rate allowed nonprofit organizations, which does not include any Postal Service overhead, and the full rate for that particular class of mail including Postal Service overhead. It is an indefinite subsidy, meaning that it will be paid forever under present law. The American taxpayer makes up this difference to the Postal Service through payments from the General Treasury.

In fiscal years 1972 and 1973, this payment was $201,000,000 each year. Because postal rates went up in fiscal year 1974, this payment will increase by $74,000,000 in 1974 and will remain at the $275,000,000 level forever unless postage rates go up again. If postal rates increase, this subsidy will increase.

The continuing subsidy for nonprofit mailers for just the 10-year phase-in period under present law will be $2,602,000,000. For 16 years authorized in S. 411, the subsidy will increase to $4,252,000,000. However, I must point out that the continuing subsidy for nonprofit organizations is to go on indefinitely or forever under present law. Therefore, the dollar amounts I quote here do not include the subsidy for all subsequent years which is at least $275,000,000 per year.

Nonprofit organizations, therefore, are getting three different subsidies; that is, the Boy Scouts, charitable organizations, welfare organizations, the Veterans of Foreign Wars, the American Legion, the Girl Scouts—all of the nonprofit organizations which have been lobbying for the bill and lobbying hard, together with the publishers and newspapers. These nonprofit organizations, therefore, are, first, getting their share of the $10,580,000,000 public service subsidy, because that goes to all mailers. The second share they get is the $2,355,700,000 phase-in subsidy, and they get that for 10 years; and, third, the continuing appropriation subsidy, which for the 16-year phase-in period in S. 411 will be $4,252,000,000.

So when the Boy Scouts, the Girl Scouts, the Veterans of Foreign Wars, and the American Legion say that they are paying a very huge sum for postage rates, we should keep in mind that we will be subsidizing these organizations to the tune of $4.252 billion if this bill is passed; and under the present law, we will continue to subsidize them to the tune of $275 million a year forever. So that their average postage rates will be only one-half of the real cost which is attributed to that class of mailing.

The total public service and revenue foregone subsidies for the 16-year period—this is money which the American taxpayers will have to pay to the Postal Service for these classes we are preferring—will amount to $17,187,700,000.

One may wonder why I keep on speaking, with only two or three other Senators in the Chamber. I am trying to make a record, Mr. President, so that when this matter gets to the House of Representatives, that body will see what the arguments are against this bill.

HEALTH OF THE PUBLISHING INDUSTRY

In testimony last year before the Senate Post Office and Civil Service Committee, the U.S. Postal Service introduced into the hearing record a number of printed statements from publishing trade magazines and financial analysts attesting to the good health and high profits of the publishing industry.

The Publishers Auxiliary of December 9, 1972, stated:

> The N.N.A. board also felt that the postal rates now in effect and increases that are spelled out for the next several years will not drive any newspaper publisher out of business. The board believes that these rates can be lived with.

The Graphic Communications Weekly, on February 13, 1973, reported:

> For America's newspapers, 1972 was a very good year—probably the best in history, in fact. And revenues rose about 12 per cent, to $6.94 billion, while newspapers consumed 650,000 tons more newsprint, a 7 per cent increase from 1971, according to the Newsprint Information Committee.

In January 1973, the Magazine Publishers Association Library quoted Magazine Publishers Association president, Stephen Kelly, as saying:

> Speaking of the future—we, in the magazine field look ahead with strong convictions of further growth within the industry.

A review of 1973 reports on returns on equity and other yardsticks of financial performance bear out Mr. Kelly's prediction, and I want to review these financial statements with my colleagues.

READER'S DIGEST

Forbes magazine of December 15, 1973, cited statistics on Reader's Digest. Reader's Digest is owned by one family, and you cannot get the return on equity on Reader's Digest, because it is a closely held corporation. Forbes reported that the Digest did a total of $500 million worth of business in 1973—all of which was publishing or publishing related. The Digest magazine itself grossed $275 million in 1973. The May 1973 U.S. edition of the Digest carried $8.1 million in advertising—a world record for a single issue of a periodical.

WASHINGTON POST CO.

The Washington Post Co., which publishes Newsweek magazine, had a 16.5 percent return on equity in 1973.

We hear about an excess profits tax on the oil companies which are making 11 percent on equity. Here is a company that made 16.5 percent on equity in 1973. It had a 22.1-percent increase in sales over the 1970–72 period, and earned 70.9 percent more per share in 1973 over the 1970–72 period. The Post itself cited

that of all the subsidiaries of the Post Co.:

The most significant gain was posted by Newsweek magazine, which reported record revenues of about $103 million and income from operations of $9.16 million.

Advertising page volume totaled 3,159 which was up 180 pages from 1972 and circulation was up 6.2 per cent from a year earlier.

The Washington Post newspaper on April 26, 1974, carried an article citing that the company's profits for the first quarter of 1974 increased 12.7 percent over 1973. In 1973 they had a 16.5 percent return on equity, and for the first quarter of 1974 they reported an increase of 12.7 over 1973.

The article states, regarding its weekly general magazine, Newsweek:

In addition, the firm noted that its Newsweek magazine subsidiary experienced its first profitable first quarter in history. Newsweek normally posts a season loss in the January-March period because of fewer ad pages.

I ask unanimous consent that the article on the Washington Post Co. earnings be printed in the RECORD at this point.

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

WASHINGTON POST CO. EARNINGS UP DESPITE PUBLISHING, BROADCASTING DIP

(By William H. Jones)

Total earnings of the Washington Post Co. advanced 12.7 per cent in the first quarter this year, despite a decline in overall operating profits from its publishing and broadcasting divisions, the company reported yesterday.

Net income rose to $1.58 million (33 cents a share) from $1.41 million (29 cents) a year earlier. While revenues were up to $59.98 million from $54.44 million in the comparable 1973 quarter, expenses rose at a more rapid pace: to $57.36 million from $51.23 million.

As a result, operating income declined to $2.62 million from $3.22 million. Two separate factors brought about the overall profit increase: an increase to $426,000 from $135,000 in Post Co. equity in earnings of affiliates primarily a Canadian newsprint company) and a rise from $262,000 to $597,000 in "other income," principally interest on money accumulated to invest in a Hartford television station, which the firm now owns.

A weak division for the company in the quarter was The Washington Post newspaper. Despite an advertising linage gain of 5.5 per cent in the January-March period, newspaper operating profits "were substantially lower than for the first quarter of 1973," according to a company statement.

Financial vice president Mark J. Meagher said the firm does not supply actual earnings figures for each division on a quarterly basis. At the same time, the company noted that it had been limited in recovering higher labor and newsprint costs through price increases before economic controls on the industry were lifted March 15.

Meagher said The Post plans to raise its advertising rates next week. Daily retail ad rates will increase 12 cents a line and Sunday retail ad rates are going up 16 cents a line. In addition, national advertising rates will be increased 10 cents a line and preprint advertising rates will rise by 11 per cent; in February, the Post had raised classified and national rates.

In addition, The Post raised circulation rates this year for home delivery and newsstand sales, the most recent being a boost to 15 cents daily (from 10 cents) and 50 cents on Sunday (from 40 cents) for newsstand sales in D.C., Maryland and Virginia, on Feb. 9; and an April 1 increase for newsstand sales outstand the three local jurisdictions.

The company's statement yesterday said that a strike by editorial and commercial employees who are members of the Newspaper Guild, which began April 8 and ended yesterday morning, "had no adverse financial effect on the newspaper's operations," although ad linage in the strike period was down slightly from a year earlier.

In addition, the firm noted that its Newsweek magazine subsidiary experienced its first profitable first quarter in history. Newsweek normally posts a season loss in the January-March period because of fewer ad pages.

TIME, INC.

Mr. FONG. Time, Inc., is involved in the publication of magazines and books; the production of records; production of pulp, paperboard, paper products, and timber; the manufacturing and sale of building products and materials; mortgage banking; real estate; construction; radio and television broadcasting; cable television; sale of products and services in graphic arts; marketing of information relating to movement of grocery products; and film production and distribution.

It publishes Time, Sports Illustrated, Money, Fortune, and People magazines. It also operates several book clubs, including Seven Arts and Book Find Clubs.

The circulation of all its magazines has been increasing steadily. It also owns the Pioneer Press Inc., which publishes 18 weekly newspapers in 28 communities surrounding Chicago.

Its 1972 net income was $22,407,000, which was less than its 1971 earnings of $23,265,000. However, that was the year it ceased publishing Life magazine and divested itself of the Francesville project.

It is most revealing to note that the day after the announcement of the demise of Life, Time, Inc., stock went up 6 points a share.

In 1973, Time, Inc., had a 12.5 percent return on equity; and 11.4 percent return on total capital; and a 46.1 percent increase in earnings per share in 1973 over the 1970–72 period.

Various reasons have been given for the demise of Life. However, postal costs, as shown by the following quotations, were not the reason.

"Most media watchers attribute the pioneer photojournal's decline and fall to the inability of a mass or consumer magazine to compete with TV and special interest periodicals as an advertising medium, and its inability to cater to the editorial preference of the audiences of the 1970's." The Value Line Investment Survey, 12/29/72.

"The evidence had been mounting during the last few of Life's 36 years of existence that the magazine had either outlived or outgrown its position as a useful advertising medium." Ibid.

"It is ironic, then, that Time, Inc. stock rose $6.50 per share on the day of the announcement of Life's folding. Financial experts noted that this was because investors felt that Time, Inc. management had made a hardheaded decision which would benefit the entire company in the long run." Michael S. Lasky, Associate Editor, Folio: The Magazine for Magazine Management, January 1973.

"Mr. Heiskell (chairman and chief executive, Time, Inc.) said: 'The closing of Life and the sale of our interest in St. Francesville significantly strengthen Time, Inc.'s profitability. In 1973 we look forward to a strong corporate performance, due particularly to an expected continued improvement by our magazine group,'" as reported in The Wall Street Journal of January 19, 1973.

Obviously, postal rate cost was not the reason Life magazine closed publication.

The April 19, 1974, Washington Star-News reported that Mr. James R. Shepley, president of Time, Inc., reported at its April 1974 stockholders meeting that higher publishing profits in the first quarter of 1974 reflected "excellent" results by Time-Life Books. The Star-News reported that Time, Inc., earning during the first quarter rose to a record $10.37 million or $1.01 a share, up 23 percent from $8.53 million, or 82 cents a share in the same period a year ago.

The publishing company said that revenues grew 17 percent to also hit a peak of $178.27 million, compared with $162.94 million in 1973.

The Star quoted Shepley as saying an anticipated decline in magazine advertising—

. . . did not materialize. In fact total domestic advertising revenues of our magazines exceeded the comparable period last year.

Shepley was also quoted as saying:

Magazine circulation also remained healthy—with circulation revenues reported at an all-time high and subscription renewals—particularly strong.

I ask that the complete text of that article be printed in the RECORD at this point.

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

TIME INC. SETS RECORD FOR FIRST QUARTER PROFITS

NEW YORK.—Time Inc. reported yesterday that first quarter earnings rose to a record $10.37 million or $1.01 a share, up 23 percent from $8.53 million or 82 cents a share in the same period a year ago.

The publishing company said that revenues grew 17 percent to also hit a peak of $178.27 million, compared with $152.94 million in 1973.

James R. Shepley, president of the company, told the annual stockholders' meeting it was the "eleventh successive quarter in which income before extraordinary items increased from the comparable quarter of the preceding year by more than 10 percent."

He said first quarter earnings of the company's forest products subsidiary, Temple-East-ex, Inc., were up "substantially over 1973" and that new production and profits records were set in March.

Higher publishing profits in the quarter reflected "excellent results" by Time-Life Books, he said.

An anticipated decline in magazine advertising "did not materialize," Shepley added.

"In fact total domestic advertising revenues of our magazines exceeded the comparable period last year."

Magazine circulation also remained healthy, he said, with circulation revenues

reported "at an all-time high and subscription renewals . . . particularly strong."

The Gillette Co. reported a 23 percent increase in sales for the first quarter of this year over the same period in 1973.

The manufacturer of razors, shaving products and other items reported sales of $285.49 million for the first three month of 1974, up from $231.88 million in 1973.

Gillette earned $23.69 million or 79 cents per share in the quarter. In the first three months of last year the company earned $20.79 million or 70 cents a share.

Johnson & Johnson reported net earnings of $42,565,000, or 74 cents a share for the first quarter of 1974. The comparable figures for 1973 were $35,778,000 and 62 cents. Sales for the 1974 quarter were $463,994,000 vs. $385,119,000 for the 1973 period.

NORTON-SIMON CORP.

Mr. FONG. The Norton-Simon Corp., which owns McCall Corp., publisher of McCalls and Redbook has 20 subsidiaries, including the Canada Dry Corp., Hunt Food & Industries, and the Max Factor Co.

The Dayton/Mid-Atlantic division of the McCall Publishing Co., subsidiary of Norton-Simon, also handles long-run periodical printing, including the New Yorker, Forbes, Redbook, Ladies Home Journal, Newsweek, Reader's Digest, U.S. News & World Report, Ingenue, and other magazines.

The Foote & Davis Division prints catalogs, direct mail brochures, and weekly and monthly publications.

Norton-Simon's net income in 1972 was $67,414,000, and its common share equity in 1973 was $12.89 per share, up from $11.47 in 1972.

Its return on equity in 1973 was 14.3 percent.

DOW-JONES CORP.

The Dow-Jones Corp., publisher of the Wall Street Journal also publishes Barrons National Business and Financial Weekly, and the National Observer, and has a large book division. It also owns 11 daily and 4 Sunday newspapers in addition to the Allied Newspapers chain.

The Wall Street Journal circulation was 1,298,482 in 1972; Barrons was 207,775; and the National Observer was 534,068—all up from previous years.

The Dow Jones net income in 1972 was $19,628,000 with its equity per common share at $4.71. The return on equity is not available.

CBS

CBS in addition to having extensive holdings in radio and television is also involved in record and tape manufacturing; merchandising and distribution of films; the publication of textbooks, tradebooks, magazines, medical books, and periodicals, as well as the development of residential properties and the operation of vocational education schools.

Its recent magazine acquisitions include the Sea and Pacific Motorboat magazine; the Sea Boating Almanac; and the Sea Line books.

It owns seven AM and seven FM radio stations; five television stations; and has 190 affiliates. It owns the Columbia Record Club and also produces toys under the name of Creative Playthings.

Its publishing subsidiaries include: The Holt, Rinehart, and Winston Incorporation—publisher of textbooks; W. B. Saunders Co., publishers of medical and dental books; the CBS Educational International Division, which also publishes books, magazines, and educational material; the CBS Publications subsidiary, which publishes special interest books and publications.

CBS also owns the Popular Library Corp.; the Parkhurst Publishing Co.; and World Tennis Corp., publisher of the World Tennis magazine.

In 1972 CBS's net income was $82,866,000—up from $59,981,000 in 1971.

Its equity on common stock was $12.77 in 1972; $11.06 in 1971. CBS had a 20.3-percent return on equity in 1973.

If this bill is passed, we shall be giving another subsidy to CBS.

BOOK OF THE MONTH CLUB CORP.

The Book of the Month Club Corp., of which 90 percent of its business is involved with publishing, owns the Metropolitan Art Seminars; the Reading Improvement Co.; the Dolphin/Water Sports Book Club; the Cookbook Club—this was purchased from the McCall Corp., in 1971; the Fine Arts 260 Co.; the Creative Needle Work Society; and the Center for Self-Education, Inc.

Its net sales in 1972 were $49,533,000, up from $43,389,121 in 1971. Its 1972 net income was $3,558,000, with its 1972 equity per common stock being $17.74—up from $16.51 in 1971. We are unable to get its return on equity.

NEW YORK TIMES CORP.

The New York Times Corp., in addition to owning the New York Times, owns six daily and four weekly newspapers. It also publishes the School Service Weekly; Large Type Weekly; Golf Digest; Family Circle; Modern Medicine; Geriatrics; and the Cambridge Book line. It is also involved in broadcasting.

The average circulation for the New York Times daily was 851,322; and for the Sunday edition, 1,453,076.

The New York Times Corp.'s net income in 1972 was $13,602,000 with net equity on shares of A and B stock at $8.14—up from $7.82 in 1971.

Its return on equity in 1973 was not 8, 9, 10, or 12 percent; it was 16.6 percent. We shall be giving subsidies to other companies like this by the passage of this bill.

TIMES-MIRROR CO.

The Times-Mirror Co., publisher of the Los Angeles Times, reported that their profits rose 31 percent in 1973 from the previous year. Earnings for the year totaled a record $54.9 million or $1.63 a share compared with $52.0 million and $1.25 per share in 1972. Its return on equity in 1973 was 17.7 per cent.

M'GRAW-HILL PUBLISHING CO.

McGraw-Hill Publishing Co. had a 12.9 percent return on equity in 1973; a 9.2 percent return on total capital; a 12 percent increase in sales in 1973 compared with 1970–1972; and, a 22.1 percent earnings per share in 1973 compared to 1970–1972.

When we remember the 16.6 percent return on equity of the New York Times; the 17.7 percent return on equity of the Times-Mirror; the 12.9 percent of McGraw-Hill Publishing Co.; and the 16.3 percent of the Washington Post; and when one considers that if he puts his money in a bank, he gets only 5 percent; he can see that these companies are making money.

MEREDITH CORP.

The Meredith Corp., which publishes magazines, books, owns radio and television stations, and operates book clubs, had 65.8 percent of its 1973 revenues come from the publishing and printing divisions.

It publishes Better Homes and Gardens, Successful Farming, and Apartment Life magazines. It also owns the Replogle Globe Co. and the Catholic Digest Book Club.

Its book publishing division has more than 50 active titles.

It also does considerable printing for other magazines, such as Vogue.

Its net income in 1972 was $8,527,000 as compared to $3,455,000 in 1971.

We have been advised by the Library of Congress that two other large magazine publishing companies, the Hearst Corp., which publishes Good Housekeeping, Harper's Bazaar, House Beautiful, and Sports Afield, and the Conde Nast Publications, Inc., which publishes Vogue, House and Garden, Glamour, Madamoiselle, and Bride's Magazine; are closely held corporations, and figures on their financial condition are not available.

I may say that in all the hearings held on this bill I have asked the publishers who have come before us to give us their rates of return on equity and have received only one. Only one company that came in gave us its return on equity.

The only way one can judge the health of a company as to whether it is or is not making money is to know what its return on equity is. That is the only way by which we can tell whether a company is making a profit. But many of them will not give those figures to us. The figures I have came from the Library of Congress, from Forbes Magazine, Standard and Poor, and the Securities and Exchange Commission.

However, the May 5, 1974 issue of the Star-News newspaper carried an article, entitled, "Life-less, Mag Biz Booms."

The article paints a fairly rosy picture of the magazine publishing business. Although it does cite the adverse impact of postage rates on magazines, the fact that sales and subscriptions are at record highs indicates that the adverse impact of increased postage rates is being handled by the magazines very well.

I ask unanimous consent that the text of the Star-News article appear in the RECORD at this point.

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

LIFE-LESS, MAG BIZ BOOMS

(By Robert Lenzner)

NEW YORK.—The 29th floor of the Time-Life Building, deserted 18 months ago when Life magazine folded, is alive and humming again with the clatter of typewriters and the ringing of telephones. In this rabbit warren of tiny offices high above Rockefeller Center, the editorial staffs of People and Money, the two newest products of the publishing empire created by Henry Luce, are busy meeting deadlines.

Along the canyons of the media capital of the nation, the births of new publishing ventures and the renewed vitality of old ones are occurring despite steep increases in postal rates and the runaway cost of paper.

Gains in advertising lineage, even in the face of a slowdown in the automobile industry, and higher subscription fees are helping to make up for the ravages of inflation.

The image of a strong magazine publishing industry has been clouded by blockbuster events like the demise of Look, the Saturday Evening Post and Life. Total circulation in the last five years has actually edged forward slightly as new publications took up the slack after the deaths of the three giants.

There continue to be deaths in the magazine industry. Intellectual Digest, a monthly reprint of highbrow articles, is the latest consumer publication to fold in 1974, following publications such as Beauty, Epicure, Good Food, Homelife, and Realities, all victims of postal, paper and other production cost increases.

But, the bigger story is the fact that the creative and entrepreneurial process continues to bring forward almost 10 new magazines for every one that folds. During 1972, 190 magazines were begun, compared to 19 that died.

This year, Time-Life's People, a quickreading potpourri of tidbits about the week's heroes and chumps, has moved past its immediate goal of one million circulation. And it's all at the newstand—a distribution technique that was chosen to avoid heavy mailing costs.

Less fanfare and criticism along Madison Avenue has accompanied the introduction of the dozens of new magazines introduced so far this year like Snowmobile West, Hospital Pharmacy Today and the National Star, a weekly with a newspaper format.

Life magazine may very well be brought back as a monthly next year, though the editorial line has not been worked out yet.

Most media observers agree generally with George Hirsch, the publisher of New Times, a struggling weekly newsmagazine, that "there are three ways to publish a successful magazine—offer sex, news or a service."

The cover of a February issue of the improving New Times screams "Sex Sells Out"; inside an article says that Penthouse's kinkier sev motif is closing the gap on Playboy, and that Playgirl's nude males have brought it the fastest 1.6 million newstand sales ever seen in the trade. The successful formula of plenty of exposed skin and talk about incest, transvestism and homesexuality have spawned imitators like Gallery, Oui, Genesis, and Coq—to a point where some publishers think the sex market has been oversaturated.

Watergate has been a boon to the weekly newsmagazines, helping to boost Time's newstand sales 30 percent over last year, and giving Newsweek a record first quarter profit. Evidently, the packaging of the week's complicated moves and countermoves on the progress of impeachment are required reading by more people than ever before.

"The reader cannot get a proper perspective from the scoops of the daily paper, or a coherent image from his television set," says Andrew Heiskell, the chairman of Time-Life. In addition, there has been no recession in the amount of corporate advertising going into the many weeklies.

On Madison avenue the formula for a successful "book", as a weekly or monthly is called, rests on filling a need or finding a new market to serve. Ms. was an overnight success as the voice of women's liberation, a subject that conventional magazines like Cosmopolitan and Harper's Bazaar avoided. New York Magazine is a mixture of fast paced news and useful information on how to cope with the city—it appeals to sophisticates and would-be sophisticates. Business Week, the flagship of the McGraw Hill magazine chain, has bounced back from the 1970 recession because "we're giving the reader something he can translate into action", says Paul Finney, managing editor of the weekly.

"If you duplicate other people's information, you are slated for the slaughterhouse," he says.

Not every household name in the magazine world is doing so well, though. The New Yorker has been trying to become more representative of changing intellectual fads and appeal to younger, but the homebase of many a famous literary figure is barely holding its own in circulation, and advertising pages were off 33 percent last year.

Norman Cousins has been named publisher of the year for his valiant effort to put back together the pieces of Saturday Review/World, after the Old SR had been ruined in a disastrous move to the west coast two years ago. Richard L. Tobin, executive editor, is hoping to get Saturday Review/World back into the black before its 50th anniversary year is over. Circulation is still below its peak mark and the advertising agencies are "a bunch of sheep," he says.

However robust their current health, there isn't a publication that isn't wrestling with the inflationary rise in the cost of postage and paper. Second class postage charges have increased 20 percent in each of the past two years, and will continue to rise 35 percent more a year for the next three years. With price controls removed, paper is expected to skyrocket 25 percent in 1974.

"The Post Office is a little bit like the Arabs, raising prices faster than business can accommodate to the changes," says Time-Life's Heiskell. He tried to make the case for the magazine industry with John Ehrlichman, while that ex-White House aide still held power. The Administration did not reply.

Heiskell says the small specialty magazines can't afford the $100,000 to make their case before the Post Office bureaucracy.

To cope with rising costs, most magazines are changing their revenue strategy. Instead of passing along extra costs to the advertisers, the readers are being asked to make up the slack.

Time and Newsweek have dropped their practice of offering subscriptions at a 50 percent discount. Newsweek was boosted to 60 cents a copy on the newstand this week, and Newsweek president, Gibson McCabe says, "So far, knock on wood, the reader seems willing."

Good Housekeeping has raised its subscription prices 40 percent and dropped a half million subscribers—a policy of "sacrificing the casual fringe buyers" says Ray Peterson, executive vice president of the Hearst magazines.

"The day of the big circulation race is over," adds Sam Ferber, publisher of Esquire. He sees a smaller number of readers as the way to save money and effectively raise the price of advertising per copy.

Business Week publisher Jim Randolph has raised the subscription price from $12.95 to $14.50 yearly, and says "I can see the day I'll get $25.00 a subscription."

The industrial publications of Cahners Publishing Co. are squeezed because they cannot pass along increased costs to the consumer, but must try to raise advertising rates. According to Norman Cahners, founder of the company, many of the industries covered by his 32 magazines are suffering from the shortages induced by the energy crisis and the slowdown in building and construction.

"We are helped by diversification of different industries," he says.

Mr. FONG. These publishers, as I have stated earlier, are receiving substantial subsidies for their postage rates. These are American taxpayers' dollars being paid to subsidize publications which are doing very well financially—22 percent, 17 percent, 16 percent, 12.5 percent on equity.

Their return on equity is high compared to the average company in the United States. From the information given to me by individual companies and published in various magazines, newspapers and financial reporting companies such as Standard and Poor's, their returns on equity go from 12.5 percent on up. They are certainly not hurting.

Information given me by the U.S. Postal Service shows that the Reader's Digest magazine, under present law—if we do nothing with this bill—will receive a subsidy of $19,452,000 for its postal rates. Under S. 411, its subsidy will increase by $12,545,000 for a total subsidy of $31,997,000 for the 16-year period covered by this legislation.

Time magazine, under present law, will receive $17,901,000. Under S. 411 it will receive an additional $11,826,000 for a total of $29,727,000 over the same 16-year period.

How can we justify, Mr. President, giving $29,727,000 of the taxpayers' money to a company that receives a return of 12.5 percent on its equity?

The Wall Street Journal, under present law, will receive a subsidy of $23,373,000. S. 411 would increase this subsidy by $15,339,000, for a total of $38,712,000 over the 16-year period in S. 411, and the Wall Street Journal is doing well, though I do not have the return on equity for this company.

Certainly these publishers are not in dire financial need. They are not going out of business if S. 411 is not passed. They plead poverty before the committee, but they are not going out of business, and they are not helpless. They are making a lot of money. There is no justification for this additional subsidy.

I ask unanimous consent that tables prepared by the U.S. Postal Service showing the sudsidies which have been and will be received by these three publications under S. 411 be printed in the RECORD at this point.

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

ESTIMATED APPROPRIATIONS—CURRENT AND PROPOSED (S. 411) PHASED RATES[1]

[In thousands]

Fiscal year	Phasing year	Current authorization (Public Law 91-375)			Additional appropriations (S. 411)[3]			Total proposed appropriations		
		Current rates[1]	Proposed rates[2]	Total	Current rates[1]	Proposed rates[2]	Total	Current rates[1]	Proposed rates[2]	Total
Reader's Digest magazine:[4]										
1973	1	$5,615		$5,615				$5,615		$5,615
1974	2	4,285	$1,027	5,312				4,285	$1,027	5,312
1975	3	2,722	2,771	5,493	$772	$656	$1,428	3,494	3,427	6,921
1976	4	1,392	1,640	3,032	1,505	1,131	2,636	2,897	2,771	5,668
1977	5				2,106	2,052	4,158	2,106	2,052	4,158
1978	6				1,380	1,434	2,814	1,380	1,434	2,814
1979	7				795	714	1,509	795	714	1,509
Total		14,014	5,438	19,452	6,558	5,987	12,545	20,572	11,425	31,997
Time magazine:[5]										
1973	1	5,031		5,031				5,031		5,031
1974	2	3,833	1,010	4,843				3,833	1,010	4,843
1975	3	2,429	2,744	5,173	685	673	1,358	3,114	3,417	6,531
1976	4	1,232	1,622	2,854	1,370	1,121	2,491	2,602	2,743	5,345
1977	5				1,883	2,041	3,924	1,883	2,041	3,924
1978	6				1,222	1,414	2,636	1,222	1,414	2,636
1979	7				712	702	1,417	712	705	1,417
Total		12,415	5,376	17,901	5,872	5,954	11,826	18,397	11,330	29,727
Wall Street Journal:[6]										
1973	1	6,612		6,612				6,612		6,612
1974	2	5,033	1,299	6,332				5,033	1,299	6,332
1975	3	3,203	3,524	6,727	890	859	1,749	4,093	4,383	8,476
1976	4	1,623	2,079	3,702	1,791	1,446	3,237	3,414	3,525	6,939
1977	5				2,475	2,614	5,089	2,475	2,614	5,089
1978	6				1,606	1,814	3,420	1,606	1,814	3,420
1979	7				940	904	1,844	40	904	1,844
Total		16,471	6,902	23,373	7,702	7,637	15,339	24,173	14,539	38,712

[1] Current rates column indicates amounts attributable to current permanent rates. Fiscal year 1972 amounts (temporary rates) are not included.
[2] Proposed rates column indicates amounts associated with USPS rate proposals in PRC Docket R74-1.
[3] Assumes 8-year phasing in lieu of 5-year phasing of rate increases.
[4] Estimates based on data supplied by Readers Digest Association, Inc. in PRC Docket MC73-1. Does not include any estimates of volume changes.
[5] Estimates based on data supplied by Time, Inc. in PRC Docket R71-1. Does not include any estimates of volume changes.
[6] Estimates based on calendar year 1973 data supplied by Dow Jones & Co., Inc. in PRC Docket R74-1. Does not include any estimates of volume changes.

IMPACT OF POSTAL RATES ON PUBLICATIONS

Mr. FONG. The impact of postal rates on the overall costs of publishing a magazine, newspaper, book or manufacturing and selling records, is only a small portion of the total operating costs for those businesses.

The Magazine Publishers Association states that before the 1972 postal rate increases, postage rates amounted to only 5 percent of the total consumer-magazine expenses. The National Newspaper Association indicated that before those rate increases, second-class postage was approximately 2 percent of total costs.

During the committee hearings on this subject, testimony showed that as of July 1972 the actual per-copy increase for a typical magazine was about 3.2 cents. This increase was to be spread over a 5-year period.

Regarding small circulation magazines light in weight and with little or no advertising, the typical postage per piece will rise from 1.3 cents per copy to 2.9 cents over the 5-year phasein period. This would amount to 80 cents per annual subscription for a weekly magazine. Again, this would be phased in over a 5-year period.

The rate increase proposal presently before the Postal Rate Commission would increase the postage rate for second-class mail by 37 percent. This would be phased in over the remaining 3 years of the term called for in the Postal Reorganization Act—or a 12 percent addition per year.

Certainly, from the profit figures available, most of these magazines can absorb this cost without becoming marginal.

The Postal Service has prepared a number of tables illustrating the postage costs for various types of publications moving through the mails and receiving subsidies under present law.

For instance, a rural newspaper now pays an average per-piece rate of 1.3 cents—much lower than a postcard, the mail which I use. Because it enjoys a phasein rate for 10 years for all in-county deliveries, at the current postage rates, the cost will increase annually to 2.9 cents per issue in 1982. This is an increase of 1.6 cents over an 8-year period. An increase of only 3/10 of a cent every year.

This is a very low and slow period of increase for these newspapers—under present law. Certainly, these newspapers can over an 8-year period absorb a 1.6 cents per copy increase in their package rates.

In fact, the National Newspaper Association, which represents the bulk of the rural newspapers advised the House Post Office and Civil Service Committee last year, when hearings were being held on a similar House bill, that they were against any increased subsidies.

I want to read a portion of that letter:

Without going into the details of the legislation, the purpose of my writing is to inform you that the National Newspaper Association is strongly opposed to the passage of this legislation.

This Association is much more concerned with improving levels of mail delivery. We believe that in the long run inconsistent and poor mail delivery will lose newspapers more subscribers than it will increases in subscription prices due to increasing postal and other costs of operation.

I ask unanimous consent that the NNA's letter to the House Committee be printed in the RECORD at this point.

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

NATIONAL NEWSPAPER ASSOCIATION,
Washington, D.C., June 7, 1973.

Hon. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service, Cannon House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Now pending before your Committee is H.R. 7554, which would modify the existing rate structure for newspapers mailed at second-class postage rates and provide other so-called benefits to publications having second-class entries.

Without going into the details of the legislation, the purpose of my writing is to inform you that the National Newspaper Association is strongly opposed to the passage of this legislation.

This Association is much more concerned with improving levels of mail delivery. We believe that in the long run inconsistent and poor mail delivery will lose newspapers more subscribers than will increases in subscription prices due to increasing postal and other costs of operation.

We believe that the Postal Reorganization Act, as enacted, fullfills the long term goal of improving mail service and that is why we worked so hard to obtain its passage by Congress. We realize the sincerity of those who urge the enactment of this legislation, and for that reason we have so far avoided entering the discussions.

We do not, however, want this Committee to favorably report this bill to the full Congress under the mistaken impression that it is needed to protect weekly newspapers from the perils of bankruptcy. The truth is quite to the contrary, in spite of the fact that many of those who have spoken in favor of this legislation have cited the poor financial situation of weekly newspapers as a primary reason for its passage. Only a mere handful of our members have complained to us about the impact of current and projected rates on their operations.

We realize fully that *in terms of percentage*, the increases for many weekly newspapers and other publications seem massive indeed.

Increases of more than 125% over five and

ten year periods are common and increases up to 200% in some cases are not uncommon. But in terms of real dollars, these increases, while not miniscule, are not a real threat to the continued viability of the weekly newspaper publishing business.

Those who favor the passage of this legislation cite the fact that the number of weekly and daily newspapers has decreased over the last several years. This is true, but the decrease in the total number of mastheads and logotypes is due not to increases in postage rates, but to changing methods in newspaper publishing operations and technical improvements along with shifting population patterns and other cost increases, not just to increases in postage.

Indeed, in the period of time of which these people speak, postage rates for newspapers have not appreciably increased. Cost increases have come from other areas, particularly labor and newsprint to mention just two. And at the same time, total circulation of weekly newspapers has increased to 32 million in 1973.

We fully realize that the rate structure currently in existence and rate increases yet to come will impose certain hardships on some newspapers, but we believe that now is not the time to hamper the U.S. Postal Service in its efforts to serve mail users more expeditiously.

We hope that you and the other members of the Committee on Post Office and Civil Service will take these views into consideration as you consider the subject legislation.

Please feel free to make any inquiries of us concerning our position on this legislation or any other matter in which you believe we may be able to assist you.

Respectfully yours,

THEODORE A. SERRILL,
Executive Vice President.

Mr. FONG. I understand that the NNA has since changed its mind and now supports S. 411. I can understand that, with so many people, so many publications, and so many organizations lobbying for this bill. However, a review of the rates charged rural newspapers as well as other publications will show that the rates they pay are very low right now and that the increases in their rates over the remaining phasein period amount to only 1 or 2 cents per piece over a 5- or 10-year period—in-county mailings, 5 years; outside-county mealing, 10 years.

I ask unanimous consent that these representative tables prepared by the Postal Service be printed in the RECORD.

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

LABOR NEWSPAPER (NONPROFIT)

[Frequency: Weekly. Advertising: 3 percent. Weight: 1.4 oz Distribution: All zones, in-county portion negligible.]

Fiscal year	Step	Average postage per piece (cents) Current [1]	S. 411 [1]
1975	3	0.9	[2] 0.7
1976	4	1.1	.9
1977	5	1.4	1.0
1978	6	1.7	1.1
1979	7	1.9	1.3
1980	8	2.1	1.5
1981	9	2.4	1.7
1982	10	2.7	1.8
1983	11	----------	1.9
1984	12	----------	2.1
1985	13	----------	2.2
1986	14	----------	2.4
1987	15	----------	2.6
1988	16	----------	2.7

[1] Includes effect of pending USPS rate proposals.
[2] Assumes effective date of July 6, 1974.

GENERAL-INTEREST MAGAZINE

[Frequency: Monthly. Advertising: 37 percent. Weight: 8 oz. Distribution: [1] In-county: Negligible; Zones 1 and 2: 50 percent; Zone 3: 33 percent; Zone 4: 15 percent; Zones 5 to 8: 2 percent]

Fiscal year	Step	Average postage per piece (cents) Current [2]	S. 411 [2]
1975	3	4.9	[3] 4.3
1976	4	6.1	4.9
1977	5	7.6	5.6
1978	6	----------	6.2
1979	7	----------	6.9
1980	8	----------	7.6

[1] Assumes multiple entry points.
[2] Includes effect of pending USPS rate proposals.
[3] Assumes effective date of July 6, 1974.

RURAL NEWSPAPER

[Frequency: Weekly. Advertising: 50 percent. Weight: 4 oz. Distribution: [1] In-county: 65 percent. Zones 1 and 2: 30 percent. Zones 3 to 8: 5 percent]

Fiscal year	Step	Average postage per piece (cents) Current [2]	S. 411 [2]
1975	3	1.3	[3] 1.1
1976	4	1.6	1.3
1977	5	1.9	1.5
1978	6	2.1	1.7
1979	7	2.3	1.8
1980	8	2.5	1.9
1981	9	2.7	2.0
1982	10	2.9	2.1
1983	11	----------	2.3
1984	12	----------	2.4
1985	13	----------	2.5
1986	14	----------	2.6
1987	15	----------	2.7
1988	16	----------	2.9

[1] Assumes uniform distribution to zones 3 to 8, but fewer than 5,000 copies to all outside-the-county zones.
[2] Includes effect of pending USPS rate proposals.
[3] Assumes effective date of July 6, 1974.

CONTROLLED CIRCULATION PUBLICATION

[Frequency: Monthly. Advertising: 70 percent. Weight: 8 oz. Distribution: Nationwide]

Fiscal year	Step	Average postage per piece (cents) Current [1]	S. 411 [1]
1975	3	8.0	[2] 7.3
1976	4	8.5	8.0
1977	5	9.0	8.3
1978	6	----------	8.5
1979	7	----------	8.7
1980	8	----------	9.0

[1] Includes effect of pending USPS rate proposals.
[2] Assumes effective date of July 6, 1974.

BOOK PARCEL

[Weight: 4 lb.—Distribution: Nationwide]

Fiscal year	Step	Average postage per piece (cents) Current [1]	S. 411 [1]
1975	3	44	[2] 43
1976	4	52	48
1977	5	60	51
1978	6	----------	52
1979	7	----------	58
1980	8	----------	60

[1] Includes effect of pending USPS rate proposals.
[2] Assumes effective date of July 6, 1974.

NEWS MAGAZINE

[Frequency: Weekly. Advertising: 51 percent. Weight: 6 oz. Distribution: [1] In-county: 3 percent; Zones 1 and 2: 63 percent; Zone 3: 23 percent; Zone 4: 9 percent; Zones 5 to 8: 2 percent]

Fiscal year	Step	Average postage per piece (cents) Current [2]	S. 411 [2]
1975	3	4.2	[3] 3.6
1976	4	5.3	4.1
1977	5	6.6	4.8
1978	6	----------	5.4
1979	7	----------	5.9
1980	8	----------	6.6

[1] Assumes multiple entry points.
[2] Assumes effective date of July 6, 1974.
[3] Includes effect of pending USPS rate proposals.

CLASSROOM FILMS (LIBRARY RATE)

[Weight: 4 lb.—Distribution: Nationwide]

Fiscal year	Step	Average postage per piece (cents) Current [1]	S. 411 [1]
1975	3	17	[2] 15
1976	4	17	17
1977	5	22	17
1978	6	25	20
1979	7	27	20
1980	8	27	22
1981	9	32	25
1982	10	32	25
1983	11	----------	27
1984	12	----------	27
1985	13	----------	30
1986	14	----------	30
1987	15	----------	32
1988	16	----------	32

[1] Includes effect of USPS pending rate proposals.
[2] Assumes effective date of July 6, 1974.

FUND APPEAL LETTER (3D CLASS BULK-RATE NONPROFIT)

[Weight: 1 oz.—Distribution: Nationwide]

Fiscal year	Step	Average postage per piece (cents) Current [1]	S. 411 [1]
1975	3	1.9	[2] 1.7
1976	4	1.9	1.9
1977	5	2.1	1.9
1978	6	2.1	1.9
1979	7	2.3	1.9
1980	8	2.3	2.1
1981	9	2.5	2.1
1982	10	2.5	2.1
1983	11	----------	2.3
1984	12	----------	2.3
1985	13	----------	2.3
1986	14	----------	2.3
1987	15	----------	2.5
1988	16	----------	2.5

[1] Includes effect of USPS pending rate proposals.
[2] Assumes effective date of July 6, 1974.

Mr. FONG. Mr. President, with regard to book and record subscriptions, any additional postage costs will be passed on to the consumer. One need only look at the invoice transmitted with any book or record order to note one price for the book or record and an additional cost item for postage and handling. It has also been suggested that those postage costs are oftentimes more than the actual postage necessary to mail the product.

These facts only strengthen my conviction that this additional subsidy is not necessary and any further increases in postage costs will be passed on to the subscriber leaving the publisher free from these costs.

With postal costs only 5 percent of a publishing company's expenses, it is obvious that postal rates are not the culprit in the demise of publications. Post-

age is a convenient scapegoat but the facts show otherwise. It is outrageous to ask the American taxpayer to subsidize these profitable companies out of the General Treasury for their postage costs.

HISTORY OF POSTAL REORGANIZATION

The Senate will recall that in 1969 and 1970, when postal reorganization was under consideration by the Post Office and Civil Service Committee, that the Magazine Publishers Association, the National Newspaper Association, and many others in the publishing field, launched an all-out campaign for postal reorganization as recommended by the Kappel Commission. The report of that Commission included the recommendation that—

The postal service as a whole—not necessarily class by class—should be self-sustaining. Particularly since use of the mails is overwhelmingly commercial in nature, we strongly feel that the users can and should pay the full cost of the postal system.

This general policy of having the users pay for the postal system was followed in the Postal Reorganization Act, with the modifications of limited subsidies through the Public Service and Revenue Foregone Subsidies.

The Kappel Commission also recommended the establishment of a Postal Rate Commission—and we have a postal rate commission now working on rates—which—

Under fair and appropriate procedures would review expert accounting, engineering and economic evidence and would render an initial decision on the merits of the proposed change.

We believe that the Panel of Rate Commissioners can provide the independence and expertise necessary to ensure a fair hearing to the users of the postal service while minimizing delay, interference with management prerogatives and the dangers of layering of Federal bureaucracy which a separate independent agency might bring.

The November 1968 issue of Reader's Digest—the company that will receive a very hefty subsidy, to which I have referred—in referring to the procedures then used by the Congress in setting postal rates said, when they wanted this bill to pass:

Congressional rate hearings simply befog the complex economic issues involved. Scores of company executives and lobbyists appear at these hearings, each with his own set of self-serving statistics. Says Rep. Morris Udall, a member of the House Postal Committee, "The witnesses bring their own accountants, and there's hardly one who can't prove he's paying more postage than it costs the Post Office to handle his mail."

That was a quote from the Reader's Digest that will profit from passage S. 411.

This is exactly why we established an independent Postal Rate Commission—five men, and we pay these five men $38,000 a year each. We give them a staff. The staff gathers the information. This is what we pay the Postal Rate Commission for, to set the rates. Now we are trying to set the rates here—with an adequate staff to analyze postal rates and their impact on mail users, on the general public, and on the U.S. Treasury. This is their job. This is their responsibility. We have given them that responsibility and now we want to take it back.

Section 3622 of Public Law 91-375, the Postal Reorganization Act, states that upon receiving a request for a rate change the Postal Rate Commission would consider the following factors:

(1) the establishment and maintenance of a fair and equitable schedule;

(2) the effect of rate increases upon general public, business mail users, and enterprise in the private sector of the economy engaged in the delivery of mail matter other than letters.

So they take everything into consideration when they establish postal rates.

The Rate Commission does look into the health of the business mailers. It gave long and detailed consideration in 1971 and 1972 during the first mail rate proceedings to the testimony and data submitted by the business mailers as to whether their rates should be increased. The decision at that time was that the mailers could handle the rate increases.

That very same procedure is now being followed, and undoubtedly that same type of evidence will be submitted to the Rate Commission this year during prehearing conferences and hearings.

This is the authority and responsibility of the Postal Rate Commission. The Congress should certainly wait to see what the judgments of the Commission are regarding the ability of the magazine and book publishers, the nonprofit organizations and the record manufacturers to bear the new rate increases. We should not inject ourselves into this problem at this time.

I have served on this committee for 14 years and for the first 11 years we were deluged by lobbyists telling us how to set their postal rates. There is no way we could tell whether the rates we set were fair. We were opportuned by lobbyists, by people interested in what the rates should be. There is no way by which, in the limited time we had in the committee, and the limited meetings we held, really to set proper rates. That is why we set up the Postal Rate Commission and why we pay five men $38,000 a year each, with a big staff, to do the job. Here we are, trying to take the job away from them.

The Postal Reorganization Act adopted in large part the recommendations of the Kappel Commission, the same report which received the strongest endorsement and active support of the publishers. These same publishers are now lobbying for increased subsidies, when in 1970 they came and said, "Give us a postal reorganization bill. These are the provisions we want. We want these provisions. Pass the bill." Now they come in and say, "Change it. Change it. Change it. Give us some more subsidies."

The Congress should not act to change the Postal Reorganization Act by increasing the subsidy in this manner.

On June 26, 1970, during debate on S. 3842, the Senate bill dealing with Postal Reorganization, Senator GALE W. MCGEE the distinguished and able chairman of the Post Office and Civil Service Committee, in discussing the ratemaking provisions of the bill said—and this is Senator MCGEE talking when we had that bill before us and tried to pass it on the floor of the Senate:

First of all, we establish in the U.S. Postal Service, as an independent entity, the Postal Rate Commission, composed of five Presidentially appointed professional rate experts, confirmed by the Senate, who have the power to recommend all rates and all classifications for all mail. Their judgment shall be final, except in a case where the Board of Governors unanimously determines that a modification of the Commission's recommendation is necessary to comply with the specific criteria of the statutes and in order to raise sufficient revenue to operate the Postal Service.

Second, in our proposal, the subsidy for preferred classes of mail is phased out. Under existing law, second and third class mail, sent by any religious, educational, scientific, philanthropic, agricultural, labor, veterans, or fraternal nonprofit organization, plus a few other special types of mailers, are entitled to mail at rates substantially less than the regular rate—and the regular rate itself is very low, particularly for second class mail.

This is Senator MCGEE talking in 1970. He said that these nonprofit organizations are entitled to mail at rates substantially less than the regular rate and that the regular rate, itself, is very low, particularly for second-class mail.

Senator MCGEE continued:

The Committee believes that if Congress is to separate itself from the periodic battles over rate adjustments, we should make the separation complete.

That is what we are having today—periodic battles over the ratemaking procedure.

The PRESIDING OFFICER. All the time of the Senator has expired.

Mr. FONG. Mr. President, the distinguished Senator from Wyoming and I had agreed that if I asked for additional time, I could have it. Under that agreement, I ask for an additional 10 minutes.

The PRESIDING OFFICER. Is there objection?

Mr. RANDOLPH. Mr. President, reserving the right to object—and I do not object—I want to clarify the situation.

Is this time in addition to the 3 hours—1½ hours on each side—that we are now asked by the able Senator from Hawaii that he be granted?

The PRESIDING OFFICER. It is additional time.

Mr. RANDOLPH. Beyond the 3 hours?

The PRESIDING OFFICER. That is correct.

Mr. RANDOLPH. I thank the Chair.

Mr. FONG. Senator MCGEE, in 1970, during the debate on this bill on the floor of the Senate, continued:

The Committee believes that if Congress is to separate itself from the periodic battles over rate adjustments, we should make the separation complete. We should get the Congress out of the clutches of the lobbyist. To retain any rate-making power is to insure that our halls will be filled with the representatives of special interest groups who will, as they always have, attempt to convince the Members of Congress that the world will truly come to an end if we raise the rate of their mail.

Obviously, whenever the Postal Rate Commission in the future undertook to raise rates as recommended in the administration's proposal, all mailers of all kinds, except ordinary citizens who pay their bills and write letters to their friends and relatives, would come to

the Congress to lobby for a special exception for their kind of mail simply to avoid the rate increase proposed by the Commission.

And this is what they are doing.

My Colleagues in this Chamber know quite well the meaning of rate increases.

A one-tenth of a cent increase in the rate applicable to presorted and zip-coded third class mail means about $15 million a year in revenue to the Post Office; $15 million can finance a very large crying towel. So I repeat: The separation of the Congress from ratemaking must be complete, or it will be meaningless.

We are not talking about $15 million here, Mr. President. We are talking in terms of a three-quarters of a billion dollar increase in the subsidy, raising the total subsidy to all mailers to the great sum of $17 billion plus.

Senator McGEE continued:

The Committee decided, and we earnestly recommend that all statutory preferences be abolished, that Congress get out of the ratemaking business. To do otherwise is to pass a postal reform bill that is truly no reform at all in the ratemaking field, but remains hollow, indeed.

Now we are again setting lower rates for this preferred class of mailers. We are again in the ratemaking process. What we did in 1970 is hollow, indeed.

Mr. President, I agreed with the distinguished chairman then, and I believe his arguments in 1970 are still eminently sound.

Congress, through S. 411, is injecting itself back into postal ratemaking. Mailers would be paying their full rate, by the deadline in existing law, as it appears they are able to do, if the subsidy period is not extended.

The prediction of Senator McGEE that, whenever a new rate increase proposal is before the Rate Commission, special interest groups will attempt to "convince the Members of Congress that the world will truly come to an end if we raise the rate on their mail," has certainly come true. Lobbyists for these mailers have been in to see Senators in an effort to have Congress increase their subsidy. This is certainly their right. They have a right to come to see us. However, this is exactly what we sought to avoid when we passed the 1970 Postal Reorganization Act.

I know that lobbyists have come to see many Senators; that various nonprofit organizations have written in, saying that their postage costs will increase by a tremendous amount. But they do not say that they have been given a tremendous subsidy so far and that up to and beyond 1987, they will continue to receive a $275 million annual subsidy. This would be in addition to what they already have received which is approximately $5 billion.

The case of need for an additional subsidy has not been made. If Congress reinjects itself into ratemaking by increasing the subsidy, postal reorganization in the ratemaking field "will be meaningless," as Senator McGEE so accurately forecast.

If we pass S. 411, there is no assurance that we will not be pressured to act on another subsidy bill and another, ad infinitum, in the future. Some committee members have suggested inclusion in the report on this measure of a statement that this will be the last time Congress will act to increase the subsidies for mailers. However, we all know that such a statement would be empty and not binding on either this Congress or on future Congresses. Besides, this is what we said in 1970.

The thing to do is to reject this increased subsidy bill now. Failure to do so will only encourage future lobbying efforts for additional subsidies whenever new rate increases are requested.

From all the evidence we have seen, there is no justification to increase the subsidies for magazines, newspapers, and other publications.

The Senate should not act without the expert advice of the Postal Rate Commission, particularly when it is obvious that the individual publishers have not come forward with sufficient evidence justifying a subsidy increase of $753.7 million.

The argument has been raised that, if S. 411 is not passed, and postage rates are phased in over the 5- and 10-year period required under present law, magazines will not be sent through the mails but will be delivered by other means.

I have been informed that certain magazine publishers have experimented with other means of delivery and these proved unsatisfactory. Therefore, they continue to drop-ship magazines into various large post offices. That is, the magazines are transported in bulk by private company trucks to various large post offices. They are then put into the mails at a lower rate than they would pay had they been put into the Postal System at the location of printing. The publishers have found that it is cheaper to have the Postal Service deliver their magazines to the doors of their subscribers.

The postal rates actually are very low. Again, a review of the table prepared by the U.S. Postal Service showing mailing costs for magazines indicates that it costs only a few pennies to mail a typical magazine—4.2 cents at the present time. That is 6.8 cents less than the rate for a first-class letter. This rate is low because of the present subsidies paid by the American taxpayers and the presorting of mail done by the mailer. This low magazine rate would be increased gradually until it reaches 6.6 cents in 1977, under present law. The 1977 rate is still less by 3.4 cents than the rate for a first-class letter.

Certainly, the rate for magazines and the other publications covered in S. 411 and now receiving large subsidies is not prohibitive—particularly at a time when these publishers are making record profits. The publishers and mailers can absorb the costs of the increased postage rates. They should not ask the taxpayers for higher subsidies.

Mr. President, during the hearings of the Committee on Post Office and Civil Service on this bill, only the American Newspaper Publishers Association appeared. Their representative gave us no figures on profit and loss—only on postage costs and that they have gone up.

If there are indeed publishers who are suffering under existing postal rates, they will have every opportunity in the world to go before the Postal Rate Commission and detail the story of their plight. The Commission is mandated by law to consider the impact of postal rates on the users. And the Commission is empowered to take appropriate action to alleviate the burden of postal costs where postal rates cause an undue burden.

Congress should not vote further subsidies across the board for all publishers, all record manufacturers, and all nonprofit organizations whether they need it or not. In so doing, Congress is providing a windfall for the prosperous firms, at the expense of the American taxpayer.

Now, Mr. President, let us be clear. This bill is a subsidy bill. And how strange it is. At the very time that Congress is in the process of getting rid of subsidies to farmers and other special groups in the Nation, the Senate is prepared to vote more subsidies—not less—to select classes of mail users.

Additional subsidies beyond the generous subsidies already in existing law are unwarranted and unjustified.

Mr. President, at this point I wish to take a few moments to rebut the majority report on S. 411.

In reviewing the majority report on S. 411, I was very interested in some of the statements contained in the report.

First. The majority report states that S. 411 does not interfere with the authority of the Postal Rate Commission to determine and fix postal rates;

However, by definition, S. 411 is an interference with the ratemaking procedure. The Postal Rate Commission is supposed to have the full authority to set postal rates. By increasing the subsidy for magazines, newspapers, books, records, and nonprofit organization mail, the rates they will pay will be less. If by virtue of this bill their postage rates will be less, we then are certainly setting postage rates and interfering with the Postal Rate Commission's authority.

As the chairman of the Committee on Post Office and Civil Service so emphatically stated on the Senate floor in 1970 during debate on S. 1842:

We earnestly recommend that . . . the Congress get out of the ratemaking business. To do otherwise is to pass a postal reform bill that is truly no reform at all in the ratemaking field, but remains hollow, indeed.

With enactment of S. 411, the Congress will be right back in the ratemaking business because it lowers the rates for these publishers, record manufacturers, and nonprofit organizations.

The majority report also cites the high cost of increased postage rates and other high inflationary costs of other publishing raw materials. However, it must be pointed out that these companies are also receiving record high profits. As evidenced by the material I included in the RECORD earlier the magazine divisions of these companies are leading the profit parade.

All businesses are experiencing the adverse effects of our inflationary economy. Few of these other industries are receiving Federal subsidies for their costs of doing business. They must pay their own way and adjust their methods of doing business. The publishing industry should likewise recognize this fact and live with the subsidies they are already receiving in abundant amounts.

We have been very generous with them.

We have been overly generous. We were generous when we passed the bill in 1970. The American taxpayer is not being asked to subsidize these other industries so why should they be required to subsidize the publishing business over and beyond the $16,434,000,000 they already have to pay?

We have already given them this subsidy and they will receive it as years go by. Why do we have to give them another three-quarters of a billion dollars

The majority report completely ignores the high percentage profits being posted by the publishing industry. The primary reason they say we should give them this added subsidy of three-quarters of a billion dollars is because the postage rates have gone up. Well, postage rates have gone up for everyone. What about first-class mail; what about air mail; what about third-class bulk mailers? Their costs have gone up and we have not given them a subsidy.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. FONG. Mr. President, I ask unanimous consent that I may proceed for 3 additional minutes.

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

Mr. FONG. Mr. President, the majority report cites the higher postage costs for newspapers and magazines but makes no mention of the profits for these individual magazines or newspapers.

The profits provide the missing reference point in all of this debate.

The majority report on page 10 states:

> The Committee has been advised that current and anticipated postal rates threaten the quality, if not the existence, of the national weekly news magazines—Time, Newsweek, and U.S. News & World Report.

However, the 1973 and first quarter 1974 financial reports from Time, Inc. and the Washington Post Co. indicate that these companies and these individual magazines are doing spendidly. Profits are at record highs. These magazines are not going out of business with the profit margins they enjoy.

Time, 1973, 12.5 percent on equity; Newsweek, 16.5; U.S. News & World Report, no report on equity.

The majority report also cites heavily from the testimony and evidence presented in the 1973 hearings by the Magazine Publishers Association. However, a review of that material shows that it is way out of date. The latest figures used in compiling that evidence was December 31, 1971. Since that time, as I indicated earlier, the financial reports on the publishing industry show a large upswing in profits—both on sales and return on equity.

I ask unanimous consent to have printed in the RECORD the following page from the January 1, 1974 issue of Forbes magazine, a listing of the companies involved in leisure and education which includes publishers and record manufacturers.

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

LEISURE AND EDUCATION: YARDSTICKS OF MANAGEMENT PERFORMANCE

	Profitability						Growth					
	Return on equity			Return on total capital			Sales			Earnings per share		
Company	5-year average (percent)	Industry rank	Latest 12 months (percent)	5-year average (percent)	Industry rank	Latest 12 months (percent)	5-year average (percent)	Industry rank	1973 versus 1970–72 [1] (percent)	5-year average (percent)	Industry rank	1973 versus 1970–72 [1] (percent)
Skyline Corp	47.3	1	22.4	47.3	1	22.3	30.9	8	36.0	41.3	4	0.5
Champion Home	42.8	2	31.8	35.2	3	28.8	37.2	5	54.5	47.8	3	32.7
Fleetwood Enterprises	41.3	3	14.4	42.4	2	14.7	47.7	2	98.2	51.2	2	3.1
McDonald's Corp	31.5	4	28.3	16.3	8	15.2	30.5	9	72.7	34.9	5	73.2
Winnebago Industries	29.9	5	11.7	29.3	4	11.8	57.4	1	33.5	54.4	1	−28.9
Loews	22.5	6	18.5	9.3	25	6.7	41.3	4	5.5	33.7	6	18.4
Dun & Bradstreet	22.4	7	22.5	23.3	5	22.4	10.5	27	25.2	7.8	24	20.7
AMF	21.8	8	21.6	12.8	12	13.7	10.7	25	29.1	21.5	8	26.8
Eastman Kodak	21.4	9	23.7	20.0	6	22.2	9.9	29	26.0	9.9	21	42.8
Redman Industries	19.4	10	[2]	16.3	7	[2]	27.5	10	34.6	16.7	11	[3]
Denny's	18.4	11	16.9	10.8	19	8.7	34.3	6	50.8	12.7	15	45.7
CBS	18.3	12	20.3	13.6	9	15.0	10.1	28	16.4	3.0	29	33.1
Fuqua Industries	16.5	13	20.6	9.2	27	11.1	16.5	16	29.8	9.2	22	80.1
Knight Newspaper	16.4	14	15.9	12.2	16	13.1	19.1	13	20.6	19.5	9	33.3
Outboard Marine	15.7	15	20.4	12.7	15	16.5	11.4	23	34.6	12.3	17	68.4
Philips Industries	15.4	16	14.3	11.8	17	10.5	32.3	7	18.9	13.4	14	14.7
Tandy	14.7	17	11.3	10.6	21	9.1	43.3	3	55.8	26.1	7	44.1
Times-Mirror	14.7	18	17.7	12.8	13	14.8	14.5	20	27.3	8.7	23	51.4
Washington Post	[4] 14.6	19	16.5	10.2	23	11.6	10.5	26	22.1	4.2	28	70.9
Holiday Inns	14.3	20	12.9	[5] 8.2	30	7.5	20.3	12	23.0	11.7	18	15.8
Marriott	14.0	21	12.0	7.6	32	6.5	24.0	11	56.8	18.1	10	45.1
New York Times	13.9	22	16.6	13.5	10	14.9	10.9	24	24.1	4.8	26	69.3
Gannett	13.9	23	15.4	11.1	18	11.8	17.4	15	34.8	12.6	16	32.8
Howard Johnson	13.5	24	14.3	12.7	14	13.6	8.7	32	15.7	10.1	20	35.6
Polaroid	13.2	25	8.4	13.3	11	8.4	12.6	21	24.0	4.7	27	−11.6
Del E Webb	13.1	26	14.8	7.4	33	9.2	14.6	19	−4.3	[6]		58.7
Walt Disney	12.9	27	10.4	10.7	20	8.7	16.2	17	72.0	14.5	12	47.8
Am Broadcasting Cos	12.6	28	17.1	8.4	29	13.0	8.6	34	15.2	10.5	19	88.9
Brunswick	12.6	29	16.4	9.2	26	12.5	9.1	30	26.2	[6]		56.4
McGraw-Hill	12.4	30	12.9	10.2	22	9.2	7.6	38	12.0	−3.3	34	22.1
R. R. Donnelley & Sons	10.6	31	11.8	10.2	24	10.6	6.8	40	7.7	−3.9	35	18.3
Metromedia	10.5	32	12.4	6.9	35	7.7	7.8	37	19.6	−1.6	33	30.2
Grolier	10.1	33	6.5	5.7	38	3.7	11.6	22	26.0	.1	30	−28.9
Hilton Hotels	10.1	34	10.7	6.5	36	6.3	8.1	35	22.4	13.5	13	28.1
Bell & Howell	10.1	34	11.8	8.9	28	9.7	8.0	36	23.4	5.4	25	31.8
Time, Inc	9.8	36	12.5	7.8	31	11.4	3.9	42	.2	−6.5	36	46.1
RCA	9.3	37	18.2	6.2	37	10.6	7.5	39	16.2	−10.3	37	492.2
MCA	8.4	38	11.5	7.1	34	9.1	9.1	30	12.8	−1.3	32	36.4
Macmillan	6.2	39	7.3	5.7	39	6.1	18.5	14	4.6	−.7	31	65.2
Arcata National Corp	4.1	40	[2]	4.7	40	[2]	[7] 8.7	33	7.7	[3]	38	[3]
MGM	−3.7	41	5.5	0	41	4.5	−2.3	44	−1.3	[3]	38	92.6
Twentieth-Century Fox	−9.9	42	9.7	−3.2	42	6.4	1.6	43	28.4	[3]	38	[3]
Mattel	−24.9	43	[2]	−4.9	43	[2]	16.2	18	−1.7	[3]	38	[3]
Columbia Pictures	−35.7	44	[2]	−4.9	44	[2]	4.6	41	−9.4	[3]	38	[3]
Warner Communication	[9]		20.5	[9]		10.2	[9]			[9]		
Industry medians	13.9		14.3	10.2		10.5	11.5		23.4	9.6		32.9

[1] 3-yr average.
[2] Deficit.
[3] Profit to deficit.
[4] 3-year average.
[5] 4-yr average.
[6] Deficit to profit; not ranked.
[7] 3-year growth.
[8] Deficit to deficit.
[9] Not available; not ranked.
Note: Explanation of Yardstick calculations on p. 117.

Mr. FONG. Mr. President, it is obviously apparent from this listing that even the companies cited on page 12 of the majority report, Time, Inc., and the Washington Post Co., and McGraw-Hill are doing very well—much better than the 8.7-percent return on equity that the majority report cites for 1972.

Also, the distinguished chairman of the committee says much of the $753,700,000 increased subsidy in S. 411 would go to nonprofit organizations. Let me clarify that point. Of the $753,700,000, 53 percent will go to the profit mailers and 47 percent will go to nonprofit organizations.

Mr. President, for all these reasons I ask that S. 411 be rejected.

Mr. President, before I yield the floor,

I ask unanimous consent that the minority views on S. 411 be printed in the RECORD following my statement.

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

MINORITY VIEWS—S. 411, A BILL TO INCREASE CERTAIN POSTAL SUBSIDIES

We strongly oppose passage of S. 411. It is an unwarranted and unjustifiable expenditure of Federal funds, which after all are taxpayers' money. We oppose this legislation for the following reasons:

1. The intent of this bill is to further subsidize postage costs of magazine and newspaper publishers (2nd class mail); record manufacturers and book publishers (4th class mail); and nonprofit organizations (2nd, 3rd, and 4th class mail).

2. Under existing law, the above-mentioned mailers already receive two kinds of subsidies:

(a) Public Service Subsidy—this is a $10,530,000,000 subsidy for the period 1972–1984 paid out of the general revenues of the U.S. Treasury to subsidize postal service for all classes of mail, including newspaper and magazine publishers, record manufacturers and book publishers, and nonprofit organizations.

(b) Revenue Foregone Subsidy—this is a $1,602,000,000 subsidy provided only to newspapers and magazine publishers and record manufacturers and book publishers (over a 5-year period, 1972–1976) and to nonprofit organizations (over a 10-year period, 1972–1982).

This subsidy, paid out of the general revenues of the U.S. Treasury, was provided by Congress in the 1970 Postal Reorganization Act so as to allow for phasing in of higher postal rates until the rates reach the full-cost rate required to be paid by the above three categories of mailers.

In other words, newspaper and magazine publishers and record manufacturers and book publishers were allowed a 5-year period to adjust to full-cost postal rates; nonprofit organizations were allowed a 10-year period to phase in. During the 5-year and 10-year period, the taxpayers are subsidizing these mailers to the tune of $1,602,000,000.

At the time of enactment of the 1970 Postal Reorganiaztion Act, these three kinds of mailers were in agreement with these provisions of the law and accepted them in toto.

3. The pending bill will award the newspaper and magazine publishers, record manufacturers and book publishers, and nonprofit organizations an additional $753,700,000 subsidy on top of the $1,602,000,000 subsidy they already are entitled to under present law, plus their share of the public service subsidy of $10,530,000,000!

4. With this additional $743,700,000 subsidy to these mailers, the total over-all subsidy for all mailers will be $12,885,700,000 if the pending bill is enacted!

5. All of these subsidies must be paid to the United States Postal Service from the General Treasury. These are tax-payers' dollars.

So the ordinary citizen has to pay all the subsidies and, in addition, bear the full increase in first class and air-mail postage rates. On top of this, the pending bill would further burden taxpayers with more subsidies.

6. The additional subsidy contained in this bill is a raid on the United States Treasury—a rip-off in today's parlance—as the publishing and record manufacturing industries (the prime beneficiaries of this increased subsidy) have both received record profits and circulation recently. Last year, as reported in Forbes Magazine issue of January 1, 1974, they enjoyed a 12+ per cent return on equity, as compared with all United States industries which averaged approximately 11 per cent. Any corporation that can make an 8 to 10 per cent return on equity is doing well.

7. Nonprofit mailers, which are now exempt from paying any of the Postal Service's overhead costs, now have and will always have a preferential rate equal to one-half the rate charged profit mailers, even after the present nine-year nonprofit subsidy period end.

8. These privileged classes, which already receive handsome subsidies and which would receive extra subsidies under the pending bill, pay a far lower share of Postal Service overhead than all other categories of mailers, including the ordinary citizen paying first-class and air-mail rates.

9. This bill with its postal subsidies for privileged classes of mailers will put Congress partially back into the rate-making business, a duty which Congress specifically delegated to the Postal Rate Commission in the Postal Reorganization Act of 1970. The Postal Rate Commission is currently conducting hearings on postal rates to determine what, if any, rates should be changed. Congress should live up to its commitments and not interfere in the Commission's rate-making functions.

10. Postage costs amount to only 5 per cent of total magazine expenses and 2 per cent of newspaper expenses. Although a new rate increase has been effected, because all publishing costs have increased, the U.S. Postal Service does not believe postage costs are "now significantly higher in relation to other publishing costs."

PRESENT POSTAL SUBSIDIES BY AMERICAN TAXPAYERS

The Postal Reorganization Act of 1970 directed that all mail users were to pay the costs of all postal operations.

Section 101(c) of the Act states:

"Postal rates should be established to apportion the costs of all postal operations to all users of the mail on a fair and equitable basis."

This general policy was modified in subsequent sections of the Act in two respects:

(a) *Public service subsidy*

The Public Service subsidy is appropriated by the Congress out of the General Treasury, annually. It is 10 per cent of the Fiscal Year 1971 appropriations of 9.2 billion dollars for the United States Postal Service. This payment will continue at the 10 per cent rate for Fiscal Years 1972 through 1979. In Fiscal Year 1980 the Public Service subsidy will be reduced to 9 per cent and will thereafter decrease by 1 per cent per year until 1984 when it will be 5 per cent. After 1984, the Postal Service will have the option of requesting 5 per cent or less, if it so chooses, for any subsequent fiscal year.

The total Public Service Subsidy for the 13-year period from 1972 through 1984 is $10,530,000,000.

(b) *Revenue foregone subsidy*

The Revenue Foregone subsidy is a decreasing one. Section 3626 of the Postal Reorganization Act directs that the postal rates for second, third, and fourth class mail be phased in, in equal installments, over a five-year period for regular (profit) mail users and ten years for nonprofit. The phase-in subsidies under the law were to begin with the effective date of the first rate increase after postal reorganization—July 6, 1972, or Fiscal Year 1973. However, we note that subsidies for the phase in of rates began in Fiscal Year 1972, one year earlier than authorized under the Postal Reorganization Act.

The difference between the full rates and the phase-in rates for these classes of mail was to be paid out of the General Treasury through annual appropriations by the Congress. The revenue foregone subsidy will decrease each year as the full rates are phased in. The full rates under present law will be reached in 1977 for regular mailers and in 1982 for nonprofit mailers. However, the nonprofit rate will be one-half of the regular rate because the nonprofit mailers will not pay any of the overhead costs of the Postal Service.

In Fiscal Year 1972 the revenue foregone subsidy for phased in rates was $298.3 million and in 1973 it was $310.5 million. In the following years the subsidy will decrease except for those years when one phase-in period begins on the preceding.

The total revenue foregone subsidy under present law with the permanent and proposed rates will be $1.6 billion for the entire 10-year phase-in period.

This legislation will add an additional $753,700,000 to the revenue foregone subsidy, for a total Revenue Foregone subsidy of $2,355,700,000 for the full 16-year new subsidy period established by S. 411.

The total Public Service and Revenue Foregone subsidies for the 16-year period will be $12,885,700,000.

HEALTH OF THE PUBLISHING INDUSTRY

In testimony last year before the Senate Post Office and Civil Service Committee, the United States Postal Service introduced into the hearing record a number of printed statements from publishing trade magazines and financial analysts attesting to the good health and high profits of the publishing industry.

The Publishers Auxiliary of December 9, 1972 stated:

"The N.N.A. board also felt that the postal rates now in effect and increases that are spelled out for the next several years will not drive any newspaper publisher out of business. The board believes that these rates can be lived with."

The *Graphic Communications Weekly*, on February 13, 1973 reported:

"For America's newspapers, 1972 was a very good year—probably the best in history, in fact. And revenues rose about 12 per cent, to $6.94 billion, while newspapers consumed 650,000 tons more newsprint, a 7 per cent increase from 1971, according to the Newsprint Information Committee."

In January 1973, the Magazine Publishers Association Library quoted Magazine Publishers Association President, Stephen Kelly, as saying:

"Speaking of the future—we, in the magazine field look ahead with strong convictions of further growth within the industry."

A review of 1973 reports on returns on equity and other yardsticks of financial performance bear our Mr. Kelly's prediction.

READER'S DIGEST

Forbes magazine of December 15, 1973, cited statistics on *Reader's Digest*, Forbes reported that the Digest did a total of $500 million worth of business in 1973—all of which was publishing or publishing related. The *Digest* magazine itself grossed $275 million in 1973. The May 1973 United States edition of the *Digest* carried $8.1 million in advertising—a world record for a single issue of a periodical.

WASHINGTON POST COMPANY

The Washington Post Company, which publishes *Newsweek* magazine, had a 16.5 per cent return on equity in 1973; a 22.1 per cent increase in sales over the 1970–1972 period; and earned 70.9 per cent more per share in 1973 over the 1970–1972 period. The *Post* itself cited that of all the subsidiaries of the Post Company:

"The most significant gain was posted by *Newsweek* magazine, which reported record revenues of about $103 million and income from operations of $9.16 million.

"Advertising page volume totaled 3,159 which was up 180 pages from 1972 and circulation was up 6.2 per cent from a year earlier."

TIME, INCORPORATED

Time, Incorporated, is involved in the publication of magazines and books; the

production of records; production of pulp, paperboard, paper products and timber; the manufacturing and sale of building products and materials; mortgage banking; real estate; construction; radio and television broadcasting; cable television; sale of products and services in graphic arts; marketing of information relating to movement of grocery products; and film production and distribution.

It publishes *Times, Sports Illustrated, Money, Fortune* and *People* magazines. It also operates several book clubs including Seven Arts and Book Find Clubs.

The circulation of all of its magazines has been increasing steadily. It also owns the Pioneer Press Incorporated which publishes 18 weekly newspapers in 28 communities surrounding Chicago.

Its 1972 net income was $22,407,000, which was less than its 1971 earnings of $23,265,000. However, that was the year it ceased publishing *Life* magazine and divested itself of the Francesville project.

It is most revealing to note that the day after the announcement of the demise of *Life*, Time, Inc. stock went up 6 points.

In 1973, Time, Incorporated, had a 12.5 per cent return on equity; and 11.4 per cent return on total capital; and a 46.1 per cent increase in earnings per share in 1973 over the 1970–1972 period.

Various reasons have been given for the demise of *Life*. However, postal costs, as shown by the following quotes, was not the reason.

"Most media watchers attribute the pioneer photo-journal's decline and fall to the inability of a mass or consumer magazine to compete with TV and special interest periodicals as an advertising medium, and its inability to cater to the editorial preference of the audiences of the 1970's." *The Value Line Investment Survey*, 12/29/72.

"The evidence had been mounting during the last few of Life's 36 years of existence that the magazine had either outlived or outgrown its position as a useful advertising medium." *Ibid.*

"It is ironic, then, that Time, Inc., stock rose $6.50 per share on the day of the announcement of Life's folding. Financial experts noted that this was because investors felt that Time, Inc. management had made a hardheaded decision which would benefit the entire company in the long run." Michael S. Lasky, Associate Editor, *Folio: The Magazine for Magazine Management*, January 1973.

"Mr. Heiskell (chairman and chief executive, Time, Inc.) said: 'The closing of Life and the sale of our interest in St. Francesville significantly strengthen Time, Inc.'s profitability. In 1973 we look forward to a strong corporate performance, due particularly to an expected continued improvement by our magazine group,'" as reported in *The Wall Street Journal* of January 19, 1973.

Obviously, postal rate cost was not the reason Life magazine closed publication.

The April 19, 1974 *Washington Star-News* reported that Mr. James R. Shepley, president of Time, Incorporated, reported at its April 1974 stockholders meeting that higher publishing profits in the first quarter of 1974 reflected "excellent" results by Time-Life Books. The Star-News reported that Time, Inc. earnings during the first quarter rose to a record $10.37 million or $1.01 a share, up 23 per cent from $8.53 million or 82 cents a share in the same period a year ago.

The publishing company said that revenues grew 17 per cent to also hit a peak of $178.27 million, compared with $162.94 million in 1973.

The Star quoted Shepley as saying an anticipated decline in magazine advertising—did not materialize.—In fact total domestic advertising revenues of our magazines exceeded the comparable period last year.

Shepley was also quoted as saying:

"Magazine circulation also remained healthy—with circulation revenues reported at an all-time high and subscription renewals—particularly strong."

NORTON-SIMON CORPORATION

The Norton-Simon Corporation, which owns McCall Corporation, publisher of *McCalls* and *Redbook* has twenty subsidiaries including the Canada Dry Corporation, Hunt Foods and Industries and the Max Factor, Company.

The Dayton/Mid-Atlantic division of the McCall Publishing Company, subsidiary of Norton-Simon, also handles long-run periodical printing including the *New Yorker, Forbes, Redbook, Ladies Home Journal, Newsweek, Readers Digest, U.S. News and World Report, Ingenue* and other magazines.

The Foote and Davis Division prints catalog, direct mail brochures and weekly and monthly publications.

Norton-Simon net income in 1972 was $67,414,000 and its common share equity in 1973 was $12.89 per share, up from $11.47 in 1972.

Its return on equity in 1973 was 14.3 percent.

DOW-JONES CORPORATION

The Dow-Jones Corporation, publisher of *The Wall Street Journal* also published *Barrons National Business* and *Financial Weekly*, the *National Observer* and has a large book division. It also owns 11 daily and four Sunday newspapers in addition to the Allied Newspapers chain.

The Wall Street Journal circulation was 1,298,482 in 1972; *Barrons* was 207,775; and the *National Observer* was 534,068—all up from previous years.

Dow Jones' net income in 1972 was $19,628,000 with its equity per common share at $4.71. The return on equity is not available.

CBS

CBS in addition to having extensive holdings in radio and television is also involved in record and tape manufacturing; merchandising and distribution of films; the publication of textbooks, tradebooks, magazines, medical books and periodicals as well as the development of residential properties and the operation of vocational education schools.

Its recent magazine acquisitions include the Sea and Pacific *Motorboat* magazine; the *Sea Boating Almanac*; and the *Sea Line* books.

It owns seven AM and seven FM radio stations; five television stations and has 190 affiliates. It owns the Columbia Record Club and also produces toys under the name of Creative Playthings.

Its publishing subsidiaries include: The Holt, Rinehart, and Winston Incorporation—publisher of textbooks; W. B. Saunders, Company, publishers of medical and dental books; the CBS Educational International Division, which also publishes books, magazines and educational material; the CBS Publications subsidiary, which publishes special interest books and publications.

CBS also owns the Popular Library Corporation; the Parkhurst Publishing Company; and World Tennis Corporation, publisher of the World Tennis magazine.

In 1972 CBS's net income was $82,866,000—up from $59,981,000 in 1971.

Its equity on common stock was $12.77 in 1972—$11.06 in 1971. CBS had a 20.3 per cent return on equity in 1973.

BOOK OF THE MONTH CLUB CORPORATION

The Book of the Month Club Corporation, of which 90 per cent of its business is involved with publishing, owns the Metropolitan Art Seminars; The Reading Improvement Company; the Dolphin/Water Sports Book Club; the Cookbook Club—this was purchased from the McCall Corporation in 1971; the Fine Arts 260 Company; the Creative Needle Work Society; and the Center for Self-Education, Incorpated.

Its net sales in 1972 were $49,533,000, up from $43,389,121 in 1971. Its 1972 net income was $3,558,000, with its 1972 equity per common stock being $17.74—up from $16.51 in 1971.

NEW YORK TIMES CORPORATION

The New York Times Corporation, in addition to owning New York Times, owns six daily and four weekly newspapers. It also publishes the *School Service Weekly; Large Type Weekly; Golf Digest; Family Circle; Modern Medicine; Geriatrics and the Cambridge Book* line. It is also involved in broadcasting.

Average circulation for the New York Times daily was 851,322 and for the Sunday edition, 1,453,076.

The New York Times Corporation's net income in 1972 was $13,602,000 with net equity on shares of A and B stock at $8.14—up from $7.82 in 1971.

Its return on equity in 1973 was 16.6 per cent.

TIMES-MIRROR COMPANY

The Times-Mirror Company, publisher of the Los Angeles Times, reported that their profits rose 31 per cent in 1973 from the previous year. Earnings for the year totaled a record $54.9 million or $1.63 a share compared with $52.0 million and $1.25 per share in 1972. Its return on equity in 1973 was 17.7 per cent.

M'GRAW-HILL PUBLISHING COMPANY

McGraw-Hill Publishing Company had a 12.9 per cent return on equity in 1973; a 9.2 per cent return on total capital; a 12 per cent increase in sales in 1973 compared with 1970–1972; and, a 22.1 per cent earnings per share in 1973 compared to 1970–1972.

MEREDITH CORPORATION

The Meredith Corporation which publishes magazines, books, owns radio and television stations and operates book clubs, had 65.8 per cent of its 1973 revenues come from the publishing and printing divisions.

It publishes the *Better Homes and Gardens; Successful Farming* and *Apartment Life* magazines. It also owns the Replogle Globe Company and the Catholic Digest Book Club.

Its book publishing division has over fifty active titles.

It also does considerable printing for other magazines such as *Vogue*, etc.

Its net income in 1972 was $8,527,000 as compared to $3,455,000 in 1971.

We have been advised by the Library of Congress that two other large magazine publishing companies, the Hearst Corporation which publishes *Good Housekeeping, Harper's Bazaar, House Beautiful* and *Sports Afield* and the Conde Nast Publications, Inc. which publishes *Vogue, House and Garden, Glamour, Madamoiselle*, and *Bride's Magazine*, are closely held corporations and figures on their financial conditions are not available.

These are the types of companies the pending bill would subsidize. They do most of the publishing in the United States. They are not in need. They are doing very well financially.

The Postal Service has advised the House Post Office and Civil Service Committee that the *Readers' Digest*, by reason of the 5-year phase-in period under existing law will get a total subsidy of $14,815,000. Enactment of S. 411 with its doubling of postal subsidies will also probably double the *Reader's Digest* subsidy over the 16-year period for a total of approximately $29 million.

Time Magazine under the 5-year phase-in plan is getting $12,525,000. This will probably increase to approximately $25 million under S. 411.

The *Wall Street Journal* is getting $17,382,-

000. Under S. 411 it will get approximately $34 million.

These publishers are not in dire financial need. They are not going out of business if S. 411 is not passed. There is no justification for this additional subsidy.

IMPACT OF POSTAL RATES ON PUBLICATIONS

The impact of postal rates on the over-all costs of publishing a magazine, newspaper, book or manufacturing and selling records, is only a small portion of the total operating costs for those businesses.

The Magazine Publishers Association states that before the 1972 postal rate increases, postage rates amounted to only 5 per cent of the total consumer-magazine expenses. The National Newspaper Association indicated that before those rate increases, second-class postage was approximately 2 per cent of total costs.

During the Committee hearings on this subject, testimony showed that as of July 1972 the actual per-copy increase for a typical magazine was about 3.2 cents. This increase was to be spread over a 5-year period.

Regarding small circulation magazines, light in weight and with little or no advertising, the typical postage per piece will rise from 1.3 cents per copy to 2.9 cents over the 5-year phase-in period. This cost would amount to 80 cents per annual subscription for a weekly magazine. Again, this would be phased in over a 5-year period.

The rate increase proposal presently before the Postal Rate Commission would increase the postage rate for second-class mail by 37 per cent. This would be phased in over the remaining three years of the term called for in the Postal Reorganization Act—or a 12 per cent addition per year.

Certainly, from the profit figures available, most of these magazines can absorb this cost without becoming marginal.

With regard to book and record subscriptions, any additional postage costs will be passed on to the consumer. One need only look at the invoice transmitted with any book or record order to note one price for the book or record and an additional cost item for postage and handling. It has also been suggested that those postage costs are oftentimes more than the actual postage necessary to mail the product.

These facts only strengthen our conviction that this additional subsidy is not necessary and any further increases in postage costs will be passed on to the subscriber leaving the publisher free from these costs.

With postal costs only 5 per cent of a publishing company's expenses, it is obvious that postal rates are not the culprit in the demise of publications. Postage is a convenient scapegoat but the facts show otherwise. It is outrageous to ask the American taxpayer to subsidize further these profitable companies out of the General Treasury for their postage costs.

HISTORY OF POSTAL REORGANIZATION

The Senate will recall that in 1969 and 1970, when postal reorganization was under consideration by the Post Office and Civil Service Committee, that the Magazine Publishers Association, the National Newspaper Association, and many others in the publishing field, launched an all-out campaign for postal reorganization as recommended by the Kappel Commission. The report of that Commission included the recommendation that—

"The postal service as a whole—not necessarily class by class—should be self-sustaining. Particularly since use of the mails is overwhelmingly commercial in nature, we strongly feel that the users can and should pay the full cost of the postal system."

This general policy of having the users pay for the postal system was followed in the Postal Reorganization Act, with the modifications of limited subsidies through the Public Service and Revenue Forgone Subsidies.

The Rate Commission does look into the health of the business mailers. It gave long and detailed consideration in 1971 and 1972 during the first mail rate proceedings to the testimony and data submitted by the business mailers as to whether their rates should be increased. The decision at that time was that the mailers could handle the rate increases.

That very same procedure is now being followed and undoubtedly that same type of evidence will be submitted to the Rate Commission this year during prehearing conferences and hearings.

This is the authority and responsibility of the Postal Rate Commission. The Congress should certainly wait to see what the judgments of the Commission are regarding the ability of the magazine and book publishers, the nonprofit organizations and the record manufacturers to bear the new rate increases. We should not inject ourselves into this problem at this time.

The Postal Reorganization Act adopted in large part the recommendations of the Kappel Commission, the same report which received the strongest endorsement and active support of the publishers. These same publishers are now lobbying for increased subsidies.

The Congress should not act to change the Postal Reorganization Act by increasing the subsidy in this manner.

On June 26, 1970, during debate on S. 3842, the Senate bill dealing with Postal Reorganization, Senator Gale W. McGee, the Chairman of the Senate Post Office and Civil Service Committee, in discussing the ratemaking provisions of the bill said:

"First of all, we establish in the U.S. Postal Service, as an independent entity, the Postal Rate Commission, composed of five Presidentially appointed professional rate experts, confirmed by the Senate, who have the power to recommend all rates and all classifications for all mail. Their judgment shall be final, except in a case where the Board of Governors unanimously determines that a modification of the Commission's recommendation is necessary to comply with the specific criteria of the statutes and in order to raise sufficient revenue to operate the Postal Service."

The Kappel Commission also recommended the establishment of a Postal Rate Commission which—

"Under fair and appropriate procedures would review expert accounting, engineering and economic evidence and would render an initial decision on the merits of the proposed change.

"We believe that the Panel of Rate Commissioners can provide the independence and expertise necessary to ensure a fair hearing to the users of the postal service while minimizing delay, interference with management prerogatives and the dangers of layering of Federal bureaucracy which a separate independent agency might bring."

The November 1968 issue of *Readers' Digest* in referring to the procedures then used by the Congress in setting postal rates said:

"Congressional rate hearings simply befog the complex economic issues involved. Scores of company executives and lobbyists appear at these hearings, each with his own set of self-serving statistics. Says Rep. Morris Udall, a member of the House Postal Committee, 'The witnesses bring their own accountants, and there's hardly one who can't prove he's paying more postage than it costs the Post Office to handle his mail.'"

This is exactly why we established an independent Postal Rate Commission with an adequate staff to analyze postal rates and their impact on mail users, on the general public and on the U.S. Treasury.

Section 3622 of Public Law 91-375, the Postal Reorganization Act states that upon receiving a request for a rate change the Postal Rate Commission would consider the following factors:

"(1) the establishment and maintenance of a fair and equitable schedule;

"(4) the effect of rate increases upon general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;"

Second, in our proposal, the subsidy for preferred classes of mail is phased out. Under existing law, second and third class mail, sent by any religious, educational, scientific, philanthropic, agricultural, labor, veterans, or fraternal nonprofit organization, plus a few other special types of mailers, are entitled to mail at rates substantially less than the regular rate—and the regular rate itself is very low, particularly for second class mail.

The Committee believes that if Congress is to separate itself from the periodic battles over rate adjustments, we should make the separation complete. We should get the Congress out of the clutches of the lobbyist. To retain any ratemaking power is to insure that our halls will be filled with the representatives of special interest groups who will, as they always have, attempt to convince the Members of Congress that the world will truly come to an end if we raise the rate on their mail.

Obviously, whenever the Postal Rate Commission in the future undertook to raise rates as recommended in the administration's proposal, all mailers of all kinds, except ordinary citizens who pay their bills and write letters to their friends and relatives, would come to the Congress to lobby for a special exception for their kind of mail simply to avoid the rate increase proposed by the Commission.

My Colleagues in this Chamber know quite well the meaning of rate increases.

A one-tenth of a cent increase in the rate applicable to presorted and zip-coded third class mail means about $15 million a year in revenue to the Post Office; $15 million can finance a very large crying towel. So I repeat: The separation of the Congress from ratemaking must be complete, or it will be meaningless.

The Committee decided, and we earnestly recommend that all statutory preferences be abolished, that Congress get out of the ratemaking business. To do otherwise is to pass a postal reform bill that is truly no reform at all in the ratemaking field, but remains hollow, indeed.

The Congress, through S. 411, is injecting itself back into postal ratemaking. Mailers would be paying their full rate, as it appears they are able to do by 1977, if the subsidy period were not extended.

The predictions of Senator McGee that when a new rate increase proposal is before the Rate Commission that special interest groups will attempt to "convince the Members of Congress that the world will truly come to an end if we raise the rate on their mail," has certainly come true. Lobbyists for these mailers have been in to see us in an effort to have the Congress increase their subsidy. This is certainly their right. However, this is exactly what we sought to avoid when we enacted the 1970 Postal Reorganization Act.

The case of need for an additional subsidy has not been made. If the Congress reinjects itself into ratemaking by increasing the subsidy, Postal Reorganization in the ratemaking field "will be meaningless," as Senator McGee so accurately forecast.

If we pass S. 411 there is no assurance that we will not be pressured to act on another subsidy bill and another ad infinitum in the future. Some Committee members have suggested inclusion in the report on this measure a statement that this will be the last time the Congress will act to increase the subsidies for mailers. However, we all know that such a statement would be empty and

not binding on either this Congress or on future Congresses. Besides, this is what we said in 1970.

The thing to do is to reject this increased subsidy bill now. Failure to do so will only encourage future lobbying efforts for additional subsidies whenever new rate increases are requested.

From all the evidence we have seen, there is no justification to increase the subsidies for magazines, newspapers, and other publications.

If there are magazines which are likely to cease publication because of higher postage rates, the Postal Rate Commission should first make a detailed investigation into their financial condition and include a report on this subject in their findings on the postal rate proposal presently before the Commission.

After that report is published the Congress will be in a much better position to provide further subsidies if necessary to bail out those publications.

The Senate should not act without the expert advice of the Postal Rate Commission, particularly when it is obvious that the individual publishers have not come forward with sufficient evidence justifying a subsidy increase of $753.7 million.

AMENDMENT NO. 1198

Mr. BEALL. Mr. President, I call up my amendment No. 1198 and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The amendment was read as follows:

On page 8, following line 21, add the following new section:

"Section 4359(e)(2) of title 39 of the United States Code is amended by inserting after the word 'fraternal,' the words 'volunteer fire companies, volunteer ambulance and rescue companies,'."

SEC. 2. Section 4452(d) of such title is amended by inserting after the word "associations" where it appears in the first sentence a comma and the words "and volunteer fire companies, volunteer ambulance and rescue companies,".

The PRESIDING OFFICER. The Senator from Maryland has 15 minutes on the amendment.

Mr. BEALL. Mr. President, my amendment would extend to volunteer fire companies and volunteer ambulance and rescue companies the lower rates of postage on second-class and third-class bulk mailings applicable to certain nonprofit organizations.

This amendment, which has been cosponsored by Senators HARRY F. BYRD JR., WILLIAMS, MATHIAS, and DOMINICK, is identical to legislation which I introduced in both the 92d and 93d Congresses, but has yet to receive action by the Senate Post Office and Civil Service Committee.

I, like all of my colleagues I am sure, greatly admire the dedicated and unselfish service rendered the communities of this Nation by volunteer firemen and volunteer ambulance and rescue personnel. Presently, there are 19,066 volunteer fire companies in the country, as well as 3,131 which, although they employ paid firemen, rely on volunteers for a great amount of their manpower. Certainly the Congress must do all it can to assist them in the performance of their indispensable work.

Already, the Senate has taken a significant step to help volunteer fire companies with the passage on November 2, 1973, of S. 1769, the Federal Fire Prevention and Control Act, which I was proud to cosponsor. This legislation will establish a coordinated program for fire prevention and control, under the administration of a new Assistant Secretary of Commerce for Fire Prevention and Control, which will reinforce and support the efforts of volunteer organizations and of State and local governments.

But the bill did not fully meet a pressing problem of all volunteer organizations—the problem of financing. Regularly, these organizations must solicit, largely by mail, the funds which are so important in the maintenance of quality service. However, too much of the money which is acquired in this manner is immediately swallowed up by postal charges As a result, more and more money which could go to the purchase of urgently needed equipment is drained away by excessively high mailing costs.

Let us take a closer look at the affected rates.

Regular third-class mail, which the volunteer fire companies predominently utilize for their fundraising circulars, costs between 6.1 and 6.3 cents per piece, up to 250,000 pieces.

On the other hand, nonprofit organizations pay a rate of only 1.7 per piece.

This means that volunteer fire, rescue, and ambulance companies pay about 360 percent higher rates for postage than do other nonprofit organizations.

Second-class mail rates also point out the same type of discrepancy. Regular second-class mail without advertising pays a rate of 5 cents per pound.

Yet nonprofit organizations get a 44-percent reduction in rates, having to pay only 2.8 cents per pound.

Unfortunately, volunteer fire companies and ambulance and rescue companies are not accorded this privilege.

And greater problems for the bulk mailer are ahead. In the committee's report to S. 411, they point out that second-class postal rates for regular-rate publications will surely be at least 217 percent, and perhaps 300 percent, higher in 1976 than they were in 1971.

The Congress has taken action to ease the burdens of regular postage rates for numerous groups over the years. Today, religious, educational, scientific, philanthropic, agricultural, labor, veterans, fraternal, and associations of rural electric cooperatives, as well as publicly owned educational radio and television agencies and qualified State highway or development agencies, receive such nonprofit treatment.

All of these are worthy recipients of Congress favor, I am sure. But in none of these groups are the members daily risking their lives to serve the public.

None of these groups has members who depend upon expensive machinery not only to accomplish their job but to protect their lives.

Firefighting is the most hazardous profession in the country today. The death rate among firemen is at least 15 percent greater than that of the next most hazardous profession, mining and quarrying. I, for one, believe the Congress must do all it can to assist these brave men, and their communities, often small and rural, in protecting life, homes and businesses.

What I propose today is certainly no "giveaway" program. By lowering the overhead under which these companies must operate, we will encourage them to seek greater funds from private sources, thus easing any burden the company might have on the local community's undoubtedly tight finances.

Thus, whatever money is expended by the Federal Government will not only go toward lowering the overhead costs of volunteer organizations, but will also have the supplementary effect of providing greater access by companies to the public for voluntary contributions.

Therefore, Mr. President, I ask the Senate to give its full support where it matters—in the pocketbook—to our Nation's volunteer fire, ambulance, and rescue companies. This amendment will signify to them, and to the millions of Americans who are served by volunteer companies that the Federal Government stands ready to help these organizations to reduce their costs and, therefore, provide better fire protection.

Mr. President, when I announced to the Senate that I would introduce this amendment, the U.S. Postal Service contacted me, advising that such an amendment was unnecessary since volunteer fire, rescue, and ambulance companies were already eligible for such nonprofit rates.

In a letter to me, the Postal Service said:

Under our interpretation of present postal regulations, the amendment is not required. The Special rates have been granted to several volunteer fire, ambulance and the rescue companies, as philanthropic organizations, on the ground that such associations lessen the burdens of Government within the meaning cf section 134.522d(5), Postal Service Manual.

I ask unanimous consent that Mr. John Lintner's letter to me be printed in the RECORD at this point.

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

OFFICE OF POSTMASTER GENERAL,
Washington, D.C., April 25, 1974.

Hon. J. GLENN BEALL, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BEALL: I understand that you propose to amend Section 4359(e)(2) of Title 39, United States Code, to specifically include "volunteer fire companies, volunteer ambulance and rescue companies" among the categories of nonprofit organizations qualified to mail at the special bulk third-class rates of postage.

Under our interpretation of present postal regulations, the amendment is not required. The special rates have been granted to several volunteer fire, ambulance and the rescue companies, as philanthropic organizations, on the ground that such associations lessen the burdens of Government within the meaning of section 134.522d(5), Postal Service Manual.

Sincerely,

JOHN C. LINTNER,
Senior Representative, Government Relations Department.

Mr. BEALL. Mr. President, the regulation to which Mr. Lintner refers to was promulgated on February 23, 1973.

Yet, my investigation has uncovered examples of eligible volunteer fire organizations who have applied for such a nonprofit rate after the new regulations were put into effect, and were turned down.

Let us take, for example, the case of the Laurel Volunteer Fire Co., in my State of Maryland.

On June 22, 1973, Laurel applied to their local post office for nonprofit rates under the philanthropic category, and their application was denied on July 19.

On August 14, they appealed this ruling to the Classifiaction and Special Services Division, U.S. Postal Service in Washington. On September 27, they were advised by the Manager of the Mail Classification Division:

> The primary purpose of the organization as stated in its constitution is, to put out fires in the town of Laurel, to train personnel and maintain equipment for this purpose. It does not meet the requirements of section 134.522d, Postal Service Manual, for a philanthropic organization.

So, 7 months after regulations were promulgated to allow volunteer fire companies to receive nonprofit postage rates, Laurel Volunteer Fire Department was erroneously denied this privilege.

I ask unanimous consent that Postal Regulation 134.522d, defining philanthropic or charitable organizations be included in the RECORD at this point.

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

PHILANTHROPIC—CHARITABLE

A nonprofit organization organized and operated for purposes beneficial to the public. Examples of philanthropic (charitable) organizations are organizations which are organized for:

(1) Relief of the poor and distressed or of the underprivileged;

(2) Advancement of religion;

(3) Advancement of education or science;

(4) Erection or maintenance of public buildings, monuments, or works;

(5) Lessening of the burdens of Government;

(6) Promotion of social welfare by organizations designed to accomplish any of the above purposes or;

(a) to lessen neighborhood tensions;

(b) to eliminate prejudice and discrimination;

(c) to defend human and civil rights secured by law; or

(d) to combat community deterioration and juvenile delinquency.

The fact that an organization which is organized and operated for the relief of indigent persons may receive voluntary contributions from the persons intended to be relieved will not necessarily prevent such organization from being exempt as an organization organized and operated exclusively for charitable purposes. The fact that an organization, in carrying out its primary purpose, advocates social or civic changes or presents opinion on controversial issues with the intention of molding public opinion or creating public sentiment to an acceptance of its views does not preclude such organization from qualifying so long as it is not an *action* organization as described in 134.53(a), (b), (c).

Mr. BEALL. Mr. President, clearly what Postal Service headquarters was saying and what was actually happening at least in this case were two entirely different matters.

When requests of companies like Laurel were denied, other similar organizations, feeling that they would also be denied, did not bother to apply.

Additionally, every other volunteer fire company which had been rejected for nonprofit rates prior to February 1973, had no reason to reapply, since not even local postal officials were aware of the change, much less volunteer fire personnel.

What we have, Mr. President, is a situation where Government regulations have been changed to include new groups under its benefits, but neither the group to be benefited, nor the Government personnel charged with administering the regulation, were aware of the change.

The result was that literally thousands of volunteer fire, rescue, and ambulance companies spent money for postage which was not necessary.

If I might ask the distinguished manager of this bill, the Senator from Wyoming, is it his understanding that volunteer fire, rescue, and ambulance organizations are included within the definition of "philanthropic organizations," and, as such, are in fact entitled to nonprofit bulk rates for second- and third-class mail?

Mr. McGEE. Definitely, so long as they are bona fide volunteer companies, actually performing a firefighting, ambulance, or rescue service and not solely social organizations. The Law Department of the U.S. Postal Service confirms this interpretation.

Mr. BEALL. Second, is it the belief of the distinguished chairman of the Post Office and Civil Service Committee that if, from now on, a volunteer fire, ambulance, or rescue organization applies for these lower rates for the purposes of carrying out mailings pursuant to their official duties, such as fundraising, then those applications will automatically be approved by the Postal Service?

Mr. McGEE. Without question. The Postal Service, in rendering its comments on the Senator's bill S. 2874, which is identical to his amendment, stated that—

> Volunteer fire, ambulance and rescue companies that actually perform a fire fighting, ambulance and rescue service function for the community clearly lessen the burdens of government and thus would qualify for the special thfrd-class rate. They would also be entitled to special second-class rates.

Mr. BEALL. Third, is it the chairman's understanding that such lower nonprofit rates also apply to associations of volunteer firemen, including regional and State associations, when they are engaged in the conduct of official business?

Mr. McGEE. The Senator's logic is unassailable. I would agree with him entirely, so long as the associations serve the purpose of lessening the burdens of Government by, for instance, keeping volunteers up to date on procedures. Such associations might well qualify as being primarily educational in nature. If they are recognized by the Internal Revenue Service for tax exemption purposes, they are really home free with the Postal Service. In any event, the issue would be decided on a case-by-case basis and those associations primarily dedicated to public service or education would qualify.

Mr. BEALL. Obviously, it is necessary, in order for voluntary fire companies to pursue the kind of training necessary to protect life and property, to join organizations that disseminate knowledge as to the latest techniques.

Mr. McGEE. And they do.

Mr. BEALL. It seems these associations do qualify, as do the individual voluntary fire companies.

Mr. McGEE. They raise their levels of capability and then serve the community with that better capability.

Mr. BEALL. I thank the Senator.

Fourth, in view of the fact that these regulations have been in effect for over 14 month, yet volunteer organizations—not to mention postal officials—throughout the country obviously are not aware of these new provisions would the chairman agree with me that the Postal Service ought to immediately take steps to disseminate this information in a manner which will receive the prompt attention of all postal employees throughout the country, and in a manner which will insure that local volunteer fire, rescue, and ambulance organizations are made aware of this privilege?

Mr. McGEE. Absolutely. The means exist, of course, in the Postal Bulletin. I would expect notices to begin appearing to clarify the mailing status of volunteer firefighting, ambulance, and rescue services very shortly so that any ambiguities in the application of these rates can be cleared up forthwith.

Mr. BEALL. I thank the Senator. It seems to me there is no use in passing new laws or changing laws in the Congress if the appropriate administrative agencies of Government not only do not inform their own personnel in their agencies, but, more particularly, do not inform the intended beneficiaries of the change in the law. This is an example of negligence on the part of the administrative agency in not allowing their own agencies to become aware of their own regulations which have resulted from legislation enacted in the U.S. Congress.

Mr. McGEE. I thank the Senator for his initiative, because it is of help to voluntary organizations not only in his own State but in the other States. We are in his debt for sharpening the issue.

Mr. BEALL. It is intended to help those in all the States across the country render valuable service.

In view of these assurances, both from the distinguished chairman of the Post Office and Civil Service Committee and from the U.S. Postal Service itself, that volunteer fire, ambulance, and rescue organizations are entitled to nonprofit bulk postage rates on second- and third-class mail, I therefore withdraw my amendment.

The PRESIDING OFFICER. The amendment is withdrawn.

Mr. HATHAWAY. Mr. President, I have a question which I would like to ask the Senator from Wyoming concerning the classifications for postal rates. As I understand the regulations promulgated under the Postal Reorganization Act, there are a number of different types of organizations that may qualify for special third-class rates as nonprofit organizations. Is that not correct?

Mr. McGEE. That is correct. Actually, they predate the Reorganization Act. They were codified in 1951.

Mr. HATHAWAY. And among the types of organizations that may qualify are such things as fraternal, agricultural, and educational organizations, is that not correct?

Mr. McGEE. The Senator from Maine is correct. I believe there are eight such types of organizations specifically listed.

Mr. HATHAWAY. Well, my question is this. The fishing industry in the United States, particularly in Maine, bears many similarities to the agricultural industry. Both involve many small producers, spread over a relatively large area, who are engaged in the business of producing foodstuffs for America. Both are—particularly Maine fishermen—traditionally inclined to independence and a lack of any union-type of organization. For purposes of a number of statutes—I know the Rural Development Act is one—both fishermen and farmers are treated as agricultural. Now, my question is, cannot they be treated as equivalent for purposes of these regulations? I have received word from Darwin Sharpe that the Postal Service would have no opposition, and it seems to me that any publication that increased communication among the members of this industry would be of benefit to the whole country in the same way that communications among agricultural producers are of benefit—by improving an industry involved in the production of food for us all. Allowing a commercial fishing publication to be eligible for special rates would certainly improve its chances of getting started. Do you not think it would be beneficial to include commercial fishing with agriculture for purposes of these regulations?

Mr. McGEE. It seems entirely logical. The Postal Rate Commission now is engaged in hearing the first mail classification case since passage of the Reorganization Act. It is there, with the Commission, that this question should be resolved.

But beyond that, I am of the impression that present regulations might well qualify some organizations such as the Senator refers to, provided they can demonstrate two things. One, that they are nonprofit as required, and two, that their primary purpose is to provide commercial fishermen with educational and technical information.

Mr. RANDOLPH. Mr. President, will the Chair advise the time that remains for the proponents of this legislation?

The PRESIDING OFFICER. 65 minutes remain to the proponents.

Mr. RANDOLPH. I thank the Presiding Officer.

Mr. President, at this point in the debate I wish to yield to the Senator from Alaska (Mr. STEVENS), who is an active member of the committee and who worked closely on this measure. Before doing that, however, I wish to have the RECORD indicate at this point, after a very detailed statement on the measure by the Senator from Hawaii (Mr. FONG), that in reporting this legislation to the Senate—and I refer to the bill S. 411—from our committee, Senators McGEE, RANDOLPH, BURDICK, HOLLINGS, Moss, and DOLE voted "aye," and Senators FONG and BELLMON voted "no."

I only want to emphasize that there was this very substantial majority in the committee voting to report the measure.

Mr. President, I want the RECORD to indicate also that our consideration of this measure was not cursory attention to the problems that have been covered by the Senator who has just spoken. He and all members of the committee went into these problems—and there are many of them—in a very thorough manner. There is disagreement, as has been indicated, and it is understandable. There are times when we cannot bring to the floor legislation with the unanimity of all members. But I reinforce our argument by indicating that it was not a partisan vote when we reported this legislation favorably to the Senate. The able chairman of our committee, Senator McGEE, who guided this measure to the floor, worked constantly to insure that all views were heard and all issues explored.

Mr. President, I now ask that the able Senator from Alaska (Mr. STEVENS) be recognized for 12 minutes.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. STEVENS. I thank the Senator.

Mr. President, I yield temporarily to the Senator from New York for a unanimous-consent request.

Mr. BUCKLEY. Mr. President, I want to advise the Senate that I am a director of a publication, and, accordingly, I ask unanimous consent to be able to vote "present" on any vote in connection with this matter.

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

Mr. STEVENS. Mr. President, the bill we are discussing today has several important points which I wish to stress. S. 411 would increase the number of years that users of second- and fourth-class mail would have to adjust to higher postal rates. In 1970, we established the concept that it was necesary and fair to allow profitmaking magazines 5 years to adjust to higher postal rates, and to allow nonprofit publications 10 years to adjust. This was necessary because publishers had been subsidized in the past. Congress decided it would be unfair to expect the publishing industry to immediately absorb costs previously borne by the Federal Government.

The ratio of 2 to 1 between nonprofit and profit magazines illustrates that nonprofit magazines have less ability to adjust to rising costs than do the profit making magazines. At the time of the enactment of the Postal Reorganization Act, it was thought that this formula of 5 and 10 years would be adequate to insure that the rates themselves would not cause the undue demise of a publication. However, events have proven this feeling was inaccurate. Rather than the new U.S. Postal Service saving money and decreasing its costs Postal Service expenditures have risen 10 percent per year for the last 4 years. This miscalculation has occurred primarily because mechanization has not been implemented as rapidly as projected.

As a result, labor cost savings did not materialize. Because of the rising costs, it has been necessary for the Postal Service to increase postal rates. It was originally projected that postal rates for profit magazines would increase some 127 percent over a 5-year period. It now appears that the likely increase in this same period will be in the neighborhood of 300 percent. This rate of increase is certainly not what the Senate believed would be the case in 1969–70. This rate increase is not what the Postal Service or the magazine publishers envisioned back in 1969 and 1970. S. 411 takes into account those unforeseen circumstances, and modifies the Reorganization Act so as not to cause irreparable harm to the publishing industry.

We must recognize that magazine and newspaper publishing is a low-profit-margin industry. Even a slight increase in postage cost presents a considerable threat to many publications. I might point out that my distinguished colleague, the senior Senator from Hawaii, in the minority report of the Post Office and Civil Service Committee, stresses that second-class postage costs are but 5 percent of the total expense for magazines. However, that 5 percent is approximately one-half of the total postage cost for magazines. This bill stretches out the second-class postage, but does nothing to assist the publishers in the area of airmail, first-or-third-class postage.

I am not suggesting now that the Federal Government should assist magazines in these other classes of mail. I am just pointing out that we are dealing with approximately half of the postage problems faced by the publishers. Consequently, I cannot agree with the charge that we are bailing out the publishers in the area of postage costs, or that the publishing industry is "ripping off" the taxpayers through lower postal rates. The bill simply allows those publishers time to make economic adjustments in savings in order to absorb the increased postage costs and survive.

Much has been made of the per copy profit made by magazines. A 1972 Price Waterhouse survey showed average net profit per copy to be 1.4 cents. Postage at that same time was 2.7 cents per copy. Based on U.S. Postal Service trends, the likely postage cost per copy will be 9.2 cents in 1977. Now that means in the next 3 years profit per copy must increase some 450 percent simply to break even. My primary concern is what must happen when these publications attempt to increase income in order to keep their business functioning. The magazine that chooses to raise the advertising rates runs the risk of pricing itself out of a very competitive advertising market.

Those magazines who choose to rely more heavily on newsstands distribution rather than mail must broaden the publications appeal in order to compete for premium display space. This could well mean the demise of many of our magazines which appeal to a small, specific audience. Another alternative would be, of course, to increase subscription rates.

Unfortunately, higher subscription rates mean fewer people subscribing to a specific publication. In order to make up for this loss of subscribers, the publication must raise its subscription rates even higher. The result may well be to turn our society into one where only the affluent can afford to subscribe to newspapers and magazines.

The most compelling consideration in my view lies with the effect that failure of passage of S. 411 would have on rural America. There are few States without a rural area whose population depends on magazines and newspapers, delivered by mail, to keep abreast of news events as well as to inform and entertain. Urban and suburban dwellers have access to radio and television broadcasts. They live in close proximity to motion picture houses or local newsstands. However, the rural dweller does not. In a great many instances the rural American has few, if any, of these advantages.

I know I need not remind my colleagues that rural Americans look to us to represent them and their interests. This bill is clearly in the best interest of the Eskimo villager in Alaska, the logging camp residents in Montana, the Indian in an Arizona pueblo, the mountain farmer in Appalachia, or the potato grower in northern Maine. I could go on and on with illustrations of people in rural America who depend on magazines, books, and records delivered by mail. To force publishers to raise their rates and price these individuals out of the reading market, or to cause magazines to turn to other delivery systems which essentially leave out the rural dweller, would be a tragedy.

Mr. President, magazines and newspapers have traditionally served as a source of information, education, and entertainment for all Americans, but particularly to those residing in rural areas. As representatives of the American people we must make every effort to see that this valuable source is not diminished.

As a representative of a traditionally rural constituency, I know that the rural family, unlike its urban counterpart, must rely upon mail service for the receipt of publications. Newsstands are not available. Newspaper carriers generally do not have routes in sparsely settled sections of the country. Moreover, rural areas are populated by low and moderate income families. Any abrupt or substantial increase in the cost of subscriptions caused by rising postage rates could force many of these families to cancel their subscriptions.

Certainly we do not want to see this happen, and it is our duty to see that it does not, for freedom of information is essential to any democracy. Congress has supported the free flow of ideas through the printed media since the time of Benjamin Franklin, our first Postmaster General. Not all Americans have access to higher education or expensive means of expression. All Americans, therefore, must have access to the highest level of expression of fact and opinion on issues of importance.

I shall read a portion of a letter from a constituent from Anchorage.

My husband works for Locher Company on the North Slope and he has asked that I subscribe and mail to him the Daily News and Times since they do not have radio, television or other news media available to him on the North Slope. I contacted the Daily Times and Daily News and was informed that in order to ensure delivery of the newspaper on a daily basis the cost would be $106 per month as the only way to get mail to the North Slope daily is by "ESP" on Wien Airlines.

I point this out because, unfortunately, with literally thousands of people going up to work on our pipeline, the Postal Service does not deliver mail to workers in the Prudhoe Bay oil field, a problem which will soon be corrected. However, the letter does illustrate the problem rural families may have to face on a smaller scale, unless we allow the publishing industry time to adjust to impending postal rate increases.

Several years ago Congress mandated, and I believe correctly, that each class of mail should carry its own weight. The Postal Reorganization Act provided however, that due to the fact that publications had traditionally received a subsidy, and were thus faced with rather substantial increases, they be given a period of time to reach their mandated level of postage.

We are now faced with the realization that 5 or 10 years is insufficient, considering the economic situation in which these publications find themselves. As a matter of fact, we talked about 10 or 20 years at that time, instead of 5 or 10.

Mr. President, I ask unanimous consent that a table showing the increased revenue foregone appropriation estimates, current and proposed rates, appearing on page 19 of the report of the Post Office and Civil Service Committee, be printed at this point in the RECORD.

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

INCREASED REVENUE FORGONE APPROPRIATION ESTIMATES CURRENT AND PROPOSED RATES

[Dollar amounts in millions]

Fiscal year	Phasing year	2d class				Controlled circulation		3d class nonprofit		4th class				Total all items		Total current and proposed
		Preferential		Regular						Special rate		Library rate				
		Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	
1975	3	$2.6	$1.3	$17.2	$17.3	----------	$1.5	$1.0	$0.9	----------	$3.0	$0.2	$0.2	$21.0	$24.2	$45.2
1976	4	5.3	2.6	34.5	34.4	$0.6	3.2	2.0	1.8	$2.9	8.8	.5	.3	45.8	41.1	96.9
1977	5	8.0	3.8	51.8	51.7	.9	4.8	3.0	2.8	19.1	11.8	.6	.4	83.4	75.3	158.7
1978	6	10.7	5.1	34.6	34.5	.6	3.2	4.0	3.8	16.2	8.9	.8	.5	66.9	56.0	122.9
1979	7	13.3	6.3	17.3	17.2	.3	1.6	5.2	4.7	3.0	3.0	1.0	.6	40.1	33.4	73.5
1980	8	16.1	7.6	----------				6.3	5.7	----------		1.2	.7	23.6	14.0	37.6
1981	9	18.7	8.8	----------				7.3	6.7	----------		1.3	.8	27.3	16.3	43.6
1982	10	21.4	10.1	----------				8.3	7.6	----------		1.6	.9	31.3	18.6	49.9
1983	11	17.9	8.5	----------				6.9	6.4	----------		1.3	.8	26.1	15.7	41.8
1984	12	14.3	6.8	----------				5.5	5.1	----------		1.1	.6	20.9	12.5	33.4
1985	13	10.7	5.1	----------				4.2	3.8	----------		.8	.5	15.7	9.4	25.1
1986	14	7.1	3.4	----------				2.8	2.5	----------		.5	.3	10.4	6.2	16.6
1987	15	3.6	1.7	----------				1.4	1.3	----------		.3	.2	5.3	3.2	8.5
1988	16	----------														
Total		149.7	71.1	155.4	155.1	2.4	14.3	57.9	53.1	41.2	35.5	11.2	6.8	417.8	335.9	753.7

Mr. STEVENS. Mr. President, that table certain shows that this is a reasonable period within which to require the publishers to absorb a fantastic increase in costs.

In view of the material that the distinguished Senator from Hawaii (Mr. FONG) has placed in the RECORD, I ask unanimous consent that an analysis and profits and postal rates in the magazine industry prepared by Richard J. Barber Associates, Inc., be printed at this point in the RECORD, along with data which contains a series of tables attached thereto.

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

PROFITS AND POSTAL RATES IN THE MAGAZINE INDUSTRY

Last year data compiled by the independent accounting firm of Price, Waterhouse and Company for MPA dealing with the relationship between magazine profits and postal rates were submitted to the concerned Congressional Committees. Included in the survey were 48 magazines with a total circulation of 1.8 billion net paid copies in 1971. The data showed that—

After-tax profits amounted to about 1.6 per cent of total magazine revenues;

Second class postage alone was equal to almost five per cent of revenues;

Other postal costs (for first, third, and fourth class mail) took another four per cent of revenue; and

Total postal costs amounted to nine per cent of revenue.

As is apparent from these figures, 1971 postage costs—which in that year reflected only relatively small increases in postage rates—were substantially in excess of profits relative to revenues. Indeed, just the cost of mailing copies of magazines—almost five per cent of revenues—was over three times as large as profits in proportion to revenue.

What about other measures of profitability for the magazine industry? Might it be that despite the striking impact of the numbers just mentioned magazine profits are really so high that the steeply rising postal rates now

taking effect could be absorbed out of profits? These are fair questions. But all the available information indicates that escalating postal rates will have a devastating impact on magazine profits regardless of the measure of profitability used.

First, how do magazine profits compare with equity (net investment)? To make this comparison would require comprehensive financial data, like that contained in the Price, Waterhouse compilation. However, two major reasons contribute to the unavailability of such information. Most magazines are published by private companies. However, even if this were not the case it would be infeasible to make exact comparisons since many magazines are published by companies engaged in other commercial activities (books, newspapers, educational films, broadcasting, etc.). Under such circumstances any attempt to allocate overall corporate net investment to the magazine operation would be arbitrary at best.

In the case of a few publicly-owned magazines it is nonetheless possible to locate pertinent financial information. A check of SEC sources was made for five large companies engaged, partially, in magazine publication (Time, Inc.; the Washington Post Co., publisher of Newsweek; McGraw-Hill, publisher of Business Week; Meredith, publisher of Better Homes and Gardens and other periodicals; and Esquire). In 1972 their overall corporate post-tax profits on sales were approximately four per cent and on equity about 8.7 per cent. As would be normally expected the latter figure is higher than the former, (nearly all private companies show a similar relationship because of the ratio of sales to investment). Still, this five-company group's average return on equity was below that for manufacturing corporations generally, below that for the Fortune top 500, and below that of the First National City Bank's index of 10,000 leading U.S. corporations.

Even more significant, the available public financial data indicate that for the five companies surveyed profits for the division encompassing the magazine operation were considerably smaller in relative terms than for the company as a whole. For the five company group pre-tax profits on overall corporate sales in 1972 were 9.6 per cent. But for the division responsible for magazine publication profits relative to sales were nearly a third less. Even this tends to overstate the actual situation since these companies typically includes in their publication division activities unrelated to magazine operations (e.g., research, books, etc.).

While the five companies noted above bulk large in the industry, there are a great many other magazine publishers. This is way the Price, Waterhouse survey, which covered 25 publishers and 48 magazines, is more representative of the industry situation.

To sum up, Magazine publication has several basic characteristics, all distinctly relevant in assessing the prospective impact of sharply higher postal rates—

Profits relative to sales are small, amounting to a smaller fraction of revenues than even past postage costs; and

While profits measured against net worth (equity) appear to be higher than when compared with revenues, this is to be expected; but, magazine profitability is still significantly poorer than for companies generally in the economy.

Given these characteristics the large increases in second class (magazine) postage costs that are going into effect will have an acutely adverse effect on magazines. Prospectively the impact will be of growing severity. Since 1971 postal rates have gone up substantially, but publishers have been able to make temporary adjustments (in the weight of paper and in the size of their copies) that have partially eased their impact. Generally favorable economic conditions during 1972 and 1973 also helped. Now, however, the prospect is for a much steeper escalation in rates tightly telescoped into the rapidly shrinking phasing period that remains. Having already made adjustments in per-copy weight, the result will be markedly to accentuate the effect of coming rate hikes. Given the large relative size of second class postage not even an improvement in the gross profit margin can offset the huge postal rate increases that lie just ahead.

In its simplest but most crucial terms, magazine publication is a low margin industry, with each dollar of revenue yielding very slim profits. By contrast, postage costs are big and they threaten to consume such a large share of the revenue dollar that the profit margin can be obliterated in the final phasing years. This is the stark economic risk that exists.

TABLE 1.—1972 RETURNS ON SALES AND EQUITY, TOTAL AND MAGAZINE DIVISION FOR SELECTED PUBLISHERS, INDUSTRY MEDIAN, AND ALL INDUSTRY MEDIAN

	Total corporation			Division including magazine publishing			
	After tax [1]		Before tax return on sales [2]	Before tax return on sales [2]	Sales as percent of total corporation sales	Earnings as percent of total corporation earnings	Ratio earnings to sales
	Return on equity	Return on sales					
Time, Inc.	8.8	3.6	10.4	10.2	71	70	99
McGraw-Hill	11.3	5.3	9.8	5.8	28	17	61
Washington Post Co.	12.3	4.5	10.0	6.1	43	26	84
Meredith	6.9	2.8	10.6	7.7	89	64	72
Esquire	4.4	3.9	7.3	4.7	39	25	64
Group average	8.7	4.0	9.6	6.9			

[1] Return after tax and extraordinary items.
[2] Return before tax and extraordinary items.

Source: Securities & Exchange Commission, Company 10K files.

TABLE 2.—RELATIVE PROFITABILITY OF CORPORATIONS, BY SECTOR, INCLUDING 5-COMPANY MAGAZINE PUBLISHER GROUP, 1972

Group	After-tax profits as percent of—	
	Equity	Sales
Fortune 500 median	10.3	4.1
All manufacturing corporations	10.6	4.3
Durable goods manufacturers	10.6	4.3
Nondurable goods manufacturers	10.5	4.4
10,743 leading corporations (FNCB)	10.5	NA
Survey group average	8.7	4.0

Source: Economic Report of the President (1974); First National City Bank of New York, profit tabulations.

5-YEAR FINANCIAL PROFILES OF SELECTED PUBLISHERS, BY TOTAL CORPORATION AND DIVISION INCLUDING MAGAZINE PUBLISHING

	Total corporation			Publishing division		
	After tax		Before tax return on sales	Before tax return on sales	Sales as percent of corporation sales	Earnings as percent of corporation earnings
	Return on equity	Return on sales				
Time, Inc.:						
1972	8.8	3.6	10.4	10.2	71	70
1971	9.5	5.0	10.1	9.2	70	64
1970	8.3	4.5	10.9	10.4	70	67
1969	9.9	5.6	12.0	12.3	72	73
1968	14.0	8.7	12.5	14.0	73	82

	Total corporation			Publications and research services		
	After tax		Before tax return on sales	Before tax return on sales	Sales as percent of corporation sales	Earnings as percent of corporation earnings
	Return on equity	Return on sales				
McGraw-Hill, Inc.:						
1972	11.3	5.3	9.8	5.8	28	17
1971	10.3	4.9	9.1	2.5	29	8
1970	10.9	5.2	9.9	7.5	34	26
1969	14.2	6.4	12.3	14.5	36	43
1968	16.4	7.2	14.4	16.4	36	41

	Total corporation			Magazine publishing and printing division		
	After tax		Before tax return on sales	Before tax return on sales	Sales as percent of corporate sales	Earnings as percent of corporate earnings
	Return on equity	Return on sales				
Meredith Corp.:						
1973	(Loss)	(Loss)	12.8	8.5	91	61
1972	6.9	2.8	10.6	7.7	89	64
1971	4.5	2.4	9.6	6.9	89	64
1970	10.5	5.2	12.4	6.9	84	47
1969	17.3	9.3	15.5	6.9	93	41

	Total corporation			Publishing and leisure group		
	After tax		Before tax return on sales	Before tax return on sales	Sales as percent of corporate sales	Earnings as percent of corporate earnings
	Return on equity	Return on sales				
Esquire, Inc.:						
1973	4.8	4.2	7.8	5.8	40	29
1972	4.4	3.9	7.3	4.7	39	25
1971	NA	4.9	7.3	3.3	39	18
1970	NA	4.9	9.3	9.0	37	35
1969	NA	5.6	12.5	10.0	35	28

	Total corporation			Magazine and book publishing and related		
	After tax		Before tax return on sales	Before tax return on sales	Sales as percent of corporate sales	Earnings as percent of corporate earnings
	Return on equity	Return on sales				
Washington Post Co.:						
1972	12.3	4.5	10.0	6.1	43	26
1971	16.6	6.1	7.9	3.1	45	18
1970	10.1	2.8	7.8	3.3	45	18
1969	16.8	4.7	11.6	8.2	47	33
1968	16.7	5.0	11.8	6.5	45	25

Note: After tax=after tax and extraordinary items. Before tax=before tax and extraordinary items.

Source: Company 10K files, Securities and Exchange Commission.

Mr. STEVENS. Mr. President, I close by emphasizing one point. Congress still has a constitutional requirement regarding the delivery of mail. The Constitution requires that Congress establish post offices and post roads. The Postal Service is our attempt to carry out that constitutional obligation within the framework of some economic self-sufficiency; but there is still an obligation on Congress to maintain individual service under which Americans, no matter where they are located, can obtain the latest news, opinion, and information. That service is a national network of public information. We shall be unable to do so if we force the publishers to assume costs in excess of 300 percent in the same period of time that we originally estimated they would absorb the costs in the vicinity of 127 percent. Yet the effect of that increased cost will be that people who live in some areas, such as my State, will be denied the opportunity to obtain the information on a regular basis through the U.S. mails at prices they can afford to pay.

I do not feel that the Postal Service should continue—and I emphasize that—under a situation which forces more and more people into a position where they are unable to buy local newspapers, county newspapers, and national magazines because of the phenomenal increase in postal costs. We know that the cost of magazines is going to go up. I think it is in the national interest that people living in the far reaches of the country, such as my State, can obtain State and county newspapers. This bill will give publishers an opportunity to reorganize their economics so that they can continue to publish and mail magazines and other informational matters to the people in rural Alaska. I would not support a continuation of the Postal Service unless that type of readjustment were made. If we do not do so, I am going to submit an amendment to repeal the Postal Service Act and put us back in the postal ratemaking business. I feel that in the long run the people in rural America are going to pay more in postal rates unless we do something about the postal rate situation.

At the time, had we foreseen the economic situation in which these publications now find themselves, it is likely that the adjustment period would have been longer. The sole purpose of the proposed legislation is to extend the phasing periods contained in the Reorganization Act. I urge the Senate to vote in favor of the bill.

Mr. RANDOLPH. Mr. President, I wish to provide an additional 1 minute to the able Senator from Alaska. I would comment—and perhaps he may want to discuss this in a few seconds—on what he has said in reference to the provisions of this legislation as they affect the well-being of rural citizens of our Nation. I think he has emphasized this point. It is very necessary for the people of the United States as a whole, including those in metropolitan areas, to understand this point.

We know that the rural family, unlike its urban counterpart, must rely on mail service for the receipt of publications. Newsstands are not available. Newspaper carriers generally do not have routes in sparsely settled sections of the country. Moreover, rural areas are populated in large part by low- and moderate-income families. Any abrupt or substantial increase in the cost of subscriptions caused by rising postage rates could force many of these families to cancel their subscriptions. Certainly we do not want to see this happen, and it is our duty to see that it does not. Freedom of information is essential to any democracy.

Congress has supported the free flow of ideas through the printed media since the time of Benjamin Franklin, our first Postmaster General. Not all persons have access to higher education or expensive means of expression. All Americans, therefore, must have access to the highest level of expression of fact and opinion on issues of importance.

So I commend the Senator for his attention to the needs of rural citizens.

Mr. STEVENS. I thank the Senator from West Virginia.

The impact of a national concept of news, a national concept of the distribution of news, and the ability to keep this country together rests on a free and healthy press. That means that publications that are capable of being mailed must be available to everybody in the country who has the ability to pay for them.

I do not think we should compel publishers to abide by a postal rate which will cause an ever-increasing cycle of higher subscription rates. The more publishers raise their prices, the fewer subscribers they are going to have. Ultimately that will be as bad as the original system that existed under the Post Office Department. I would rather have the Post Office Department restored with the system of postal rates based upon how much Congress is willing to contribute in order to keep the postal system healthy, instead of allowing it to fail because postal rates are too high.

Mr. RANDOLPH. What the Senator is saying in essence is that what we do in the passage of S. 411 is not contradictory to what Congress did in reorganization of the Postal Service in 1970. This point must be understood.

Mr. President, I ask unanimous consent that the able Senator from Virginia be given 1 minute.

Mr. HARRY F. BYRD, JR. Mr. President, S. 411 would slow down postal rate increases for second class mail users. Among those benefiting from the pending legislation would be daily and weekly newspapers.

The RECORD, I feel, should show that I have an indirect interest in two weekly newspapers and a major interest in two daily newspapers. The impact on the two weekly newspapers, particularly since my interest is neither direct nor major, would not be great enough to disqualify my casting a vote on the pending measure.

But in considering the effect on the two daily newspapers, in which I have a major interest, the impact would be of some significance to one of these newspapers, if not both.

Thus, in considering this legislation, I feel that my voting on it would represent a conflict of interest. Therefore, when the roll is called, I shall answer "Present."

Mr. RANDOLPH. I thank the Senator from Virginia. There has been an earlier request of a similar nature from the able Senator from New York (Mr. BUCKLEY).

Mr. President, I yield 9 minutes to the able Senator from Massachusetts (Mr. KENNEDY).

Mr. KENNEDY. Mr. President, I thank the chairman very much.

I am pleased to give my strong support to S. 411, the Postal Rate Adjustment Act now on the Senate floor, and I hope that both the Senate and the House will approve it promptly.

In a sense, the legislation is a compromise, but it is an extremely valuable compromise that will bring substantial immediate relief to newspapers and magazines now suffering under the crushing burden of soaring postal rates. I commend the Senator from Wyoming (Mr. MCGEE) and the Senate Post Office Committee for their timely, constructive, and realistic response to what has become an increasingly urgent problem.

Mr. MCGEE, the distinguished chairman of the committee, deserves great credit for successfully guiding this important legislation to the floor for Senate action. I also commend Senator NELSON for the significant legislation he introduced, and for his major contributions in developing the issue in the course of the long debate leading to our action today.

In January 1973, the Senator from Arizona (Mr. GOLDWATER) and I joined in introducing legislation, S. 842, to alleviate the serious impact of continuing exorbitant increases in second-class postal rates on magazines, newspapers, and other publications, and thereby to preserve the ability of the reading public to obtain a wide selection of information, views, and ideas through the mails. In all, 25 Senators sponsored the bill we introduced.

S. 411, the bill now reported favorably to the Senate, is more limited than the bill we proposed, but it is aimed at the same problem and incorporates the most important feature of our bill, the phase in of postal rate increases over a longer period of time. Thus, the committee bill extends the period for publications to adjust to the postal rate increases to 8 years for profit publications and to 16 years for nonprofit publications. Under present law, the phasing period for these publications is 5 years and 10 years, respectively.

Both Senator GOLDWATER and I believe the reasons for protecting the Nation's newspapers and magazines and the informational needs of the reading public are as strong or stronger now than when we originally introduced our legislation. Because we believe it is urgent for legislative relief to be enacted into law before the next scheduled postal rate increase goes into effect on July 6, 1974, we have asked that our names be included as cosponsors of S. 411, to which we give our warm support.

Vital issues come before the Senate in

many shapes and forms. The title and even the language of S. 411 give little clue to the real significance of the pending legislation and the issues underlying it. But it is fair to say, I think, that the bill before us now may well be the most important single piece of legislation the present Congress will consider in the area of promoting first amendment rights, freedom of the press, and the flow of ideas in our free society.

To virtually every citizen, the news of the 10 cent stamp has come as unwelcome fresh evidence of the Nation's sick economy and our continuing inability to bring inflation under control.

But for thousands of newspapers and magazines across the country, the news of rising postal rates is far more serious than just a symbol of inflation—it is a matter of life and death to many widely respected journals that have always been pillars of the first amendment and the lifeblood of ideas in our democratic society.

For almost two centuries, the postal system in America has operated on Benjamin Franklin's basic principle that the printed word occupies a central place under the Constitution and the first amendment. Whether you call it a postal service or a postal subsidy, the purpose and tradition have always been the same. Newspapers and magazines pay lower postal rates because we want no serious financial hurdles to block the spread of ideas in our democracy.

In recent years however, the Postal Service has been trying to change all that and nullify this proud tradition. The trouble began with the Postal Reorganization Act of 1970, which created the Postal Service and imposed a general requirement that the mail should pay its way. Disregarding other equally important requirements in the act and substantial legislative history to the contrary, the Postal Service began to read the language on self-sufficiency as a license to reverse one of the time-honored traditions of our country, under which ideas and printed words have never had to pay full freight in our national life, at least in terms of the accountant's balance sheet.

The figures tell a story of astronomical recent increases in postal rates for newspapers and magazines. The magnitude of the increases was entirely unanticipated. At the time the Postal Reorganization *Act* was passed, it had been expected that second-class rates might increase by as much as 50 to 60 percent, to be phased in over the 5- and 10-year periods provided, respectively, for profit and nonprofit publications.

In 1971, however, the Postal Service approved a 127-percent increase for such rates, to be phased in at the rate of 25 percent a year through 1976. And last fall, the Service compounded the crisis by imposing an additional 91-percent increase, to be phased in over the remainder of the same period.

As a result, these new rates meant a total increase of 218 percent by 1976, or an average increase of 43 percent a year for the 5-year phasing period, an increase that makes even the soaring cost of food and fuel a bargain by comparison. And still further increases were anticipated in the immediate future.

Obviously, it is no answer to say that the postal increase represents only pennies per copy, yet that has been the favorite hedge of the Postal Service in defending the heavy increases.

Clearly, the country would not tolerate a demand by oil companies for exorbitant gasoline price increases, even though such increases represent "only" pennies per gallon. Why, then should exorbitant annual postal increases be received with any more equanimity?

For many respected publications, such increases might well be a mandatory sentence of capital punishment. For countless others, the increases would mean serious reductions in quality, and forced curtailments of circulation that the Nation can ill afford to suffer. The death of Life and many other popular magazines of wide appeal in recent years—most recently, the Intellectual Digest—is somber testimony to the very real threat the current increases pose to some of our most valuable existing publications, large and small alike.

The Postal Service has argued in the past that the problem is not serious, because publications can pass the rate increases along to their subscribers and their advertisers. In the view of most economic experts, however, the large new postal increases simply cannot be passed along that way. As subscriptions and advertising rates go up, subscribers and advertisers drop off, according to the inexorable law of the marketplace. For many publications, asking them to raise their rates is like asking them to walk the plank.

A further alarming prospect is that the unrestrained new postal rates will accelerate the disturbing current journalistic trend away from low-priced, mass-audience newspapers and magazines and toward costly special interest publications. If the new postal rates are allowed to stand, we face the very real danger that television will become the only medium in the country reaching large numbers of people, while magazines become the exclusive preserve of a small and affluent elite.

It is bad enough that many distinguished publications have now become extinct, gone the way of the passenger pigeon, victims of the unyielding brutality of the balance sheet. But when the heavy thumb of government itself intrudes to distort the balance, the problem is much worse.

Nor can the problem of rising postal rates be viewed in isolation. At this time of challenge on so many fronts to freedom of the press, the burden of the new rate increase is especially ominous. In recent years, we have seen the Pentagon papers case and the attempt to impose an unprecedented prior restraint on the dissemination of news. We have seen subpenas served on newspapers, reporters subjected to illegal wiretapping by the government, and other reporters jailed for contempt for refusing to disclose their sources to law enforcement agencies. We have seen threats of oppressive government action against the freedom of the broadcast media. Wherever we turn, we see the press and our first amendment freedoms under attack by the pressure of official policy.

Most insidious of all, perhaps, is government pressure in the form of economic policy. The Supreme Court put it well long ago in prohibiting States from taxing the new Federal institutions being created at the beginning of our Republic—"The power to tax is the power to destroy," said Chief Justice John Marshall.

And so is the power to impose exorbitant postal rates. The Postal Service has the responsibility to exercise its vast new powers wisely and fairly. Congress has the obligation to hold it to that standard, and that is the purpose of the legislation we are voting on today.

Finally, I would like to respond to the suggestions that the effect of this legislation will be to provide unjustified subsidies to a handful of large magazines and newspapers. A number of publications have been mentioned by name, such as Time magazine, the Reader's Digest, and the Wall Street Journal.

But, Mr. President, I think it also should be pointed out what has happened to such magazines and newspapers in recent times. All we have to do is look at the alarming increases in the subscription rates of magazines like Time and Newsweek, the rumored forced curtailment of 2 million in the circulation of the Reader's Digest, and the reductions in size of the Wall Street Journal—is that what Congress wants? And even if we compare the benefits that these magazines and publications will receive versus the total postal costs they pay today, we find that, actually, they will be getting back less than their proportionate share.

So, even when we consider the advantages to the large publications that have been singled out unfairly here, those advantages are certainly not out of line.

In addition, under the legislation presented to the Senate, we should not forget that there will be substantial benefits to countless small publications—benefits that can mean the difference between life and death of publications we can't afford to lose. Let us also remember that a major part of the benefits will go to the nonprofit publications, which many Americans rely on for their information. I think particularly of the American Legion magazine, and the many worthwhile labor, farm, and church publications.

These newspapers nad magazines play an extremely valuable role in educating the country and bringing our people together, and Congress simply cannot stand by and let the Postal Service destroy all that.

Mr. President, for the reasons I have stated, I urge the Senate to approve this bill.

I yield the floor.

Mr. JAVITS. I just wish to join the Senator in expressing my support for this bill, and to congratulate those who have been active in developing it, including the Senator himself.

Mr. President, I think each of us is acutely aware of the strains of the con-

tinuing effect of the spiraling postal costs on books and other cultural materials accessible to the general public. I support S. 411, as I know that if the rates are allowed to rise unchallenged, it would mean the demise of many important publications in our Nation which cover the business, religious, agricultural and other groups.

Every effort should be made to counteract these increasing and disabling costs—our country must encourage the dissemination of information and ideas and this should not be threatened by bankruptcy or a fold-up of any major part of the publishing industry. In New York State, where the publishing and direct-mail industries are heavily concentrated, certainly they will ultimately suffer. For example, the demise of both Life and Look cost much in public information and thousands of jobs, because these huge publications were forced to give up following the postal boost in second-class rates which went into effect in 1971.

Increasing the number of years for the annual phasing-in process is the relief here sought, and I join in support of S. 411.

Mr. RANDOLPH. Mr. President, I yield myself such time as I may need.

The distinguished Senator from Massachusetts (Mr. KENNEDY), at the close of his very helpful remarks stressed the importance of this legislation to nonprofit publications.

Mr. KENNEDY. Mr. President, will the Senator from West Virginia yield at that point?

Mr. RANDOLPH. I am happy to yield to the Senator from Massachusetts.

Mr. KENNEDY. Earlier, I mentioned the nonprofit publications, such as the American Legion magazine and the labor and farm and church publications. I want the RECORD to reflect that there is no champion of these important publications equal to the distinguished Senator from West Virginia (Mr. RANDOLPH). I have listened to his clear and eloquent voice time and time again since I came to the Senate, expressing his views when the rights of these publications have been threatened. I know, for example, that the Senator played a major role in securing fair treatment for the nonprofit publications in the crucial publications after the Postal Reorganization Act of 1970.

I know that this subject is a favorite interest of his. He has helped to educate this Chamber by his skill and long experience, and his efforts have been of benefit to the constituents of all the Members of this body.

I am sure it is understood by the membership of this body, that when the distinguished Senator from West Virginia speaks about this matter, he speaks not only with a great sense of feeling for the issue but also with unsurpassed knowledge. I want the RECORD to reflect that, and I congratulate him for his achievements. Certainly, this bill would not be before the Senate now without his own strong, galvanizing efforts in the committee, and he deserves great praise for the skill he has contributed to this effort.

Mr. RANDOLPH. Mr. President, I am very appreciative of the thoughtful and gracious comments of the distinguished Senator from Massachusetts (Mr. KENNEDY). I know of the Senator's constant efforts to secure approval of postal rate legislation and I recall his compelling testimony before the Post Office and Civil Service Committee. He was one of the original sponsors of legislation and worked diligently to bring this issue into focus. The Senator from Massachusetts has effectively articulated the need for enactment of this measure.

He has correctly stressed that much of the benefit that will be derived from this bill will be for the nonprofit mailers of second and third class mail.

SENATOR RANDOLPH SUPPORTS POSTAL SERVICE BILL S. 411

Mr. President, the bill before us is the result of more than a year of study and consideration by the members of the Committee on Post Office and Civil Service of the problems of the impact of rising postal costs on mail users and the progress which has been made in modernizing the postal system.

Recently, the Committee on Post Office and Civil Service submitted its report on our investigation of the Postal Service and I commend to my colleagues' attention the data assembled in that report and the conclusions which we reached. In essence, it is our judgment that it is going to take more time to modernize the Post Office and to achieve effective cost control than we thought it would when Congress enacted the Postal Reorganization Act 4 years ago.

Many of us recognized at that time that you could not quickly develop a wholly modern postal delivery system which covered the entire Nation, had more than 30,000 post offices, 30,000 rural routes, 12,000 star routes, 10,000 contract stations, 741,000 employees, and 85 billion pieces of mail if mail users were required to pay 10 percent of the costs. We proposed, and the Congress accepted, and the President signed a bill that provided for the gradual development of a break-even Post Office over an extended period of time.

We did this in two ways. First, we granted a public service appropriation to the Post Office equal to 10 percent of the expenditures in fiscal year 1971, the year we were considering the bill. That continues at that rate—$920 million a year—through fiscal year 1979 and then declines at a rate of 1 percent each year through fiscal year 1984. Thereafter, if the Postal Service feels that it can provide adequate postal services without the money, the public service appropriation may be discontinued. The second feature for achieving a break-even status over a long period was to permit mail users who had enjoyed very low postal rates for many years to adjust to the impact of postage increases. We sensed they were coming. You cannot give nearly three-quarters of a million postal employees a 17 percent pay increase, as we did in 1970, without spending a very substantial amount of money. To ease the impact of sudden cost increases, the law was written to provide a 10-year period of adjustment for nonprofit organizations—and others who had statutory preferences at that time—and a 5-year period of adjustment for regular second-, controlled circulation, third-, and fourth-class mailers whose rates would have to be increased. We thought that would be sufficient. In our report to the Senate on June 3, 1970, we said:

> The committee does not believe that small incremental increases in rates spread out over 5- and 10-year periods will be detrimental to mail matter allowed preferential rates because they contribute to the public welfare.

Our hopes were optimistic. Now we all know that inflation has been severe. There are no costs which have not increased dramatically in the last 4 years. The cost of food has risen more than 30 percent. Clothing, housing, fuel, all items have increased. Postal costs have increased more than anticipated. Between 1970 and 1974, total employment in the Postal Service declined at a rate of 1.3 percent a year; mail volume increased at the rate of 2 percent a year; employee productivity increased at a rate of 3.3 percent a year; but postal costs increased at a rate of 11.4 percent a year, a total of 45.5 percent—a dollar increase from $7.8 billion to $11.4 billion. The consumer price index during the same period rose at a rate of 5.6 percent, some half of the rate of increase in postal costs. Second-class rates have risen about 25 percent a year since 1970. Few other increases in the economy have been so rapid.

Congress did not anticipate that kind of increase. When we legislated a public service appropriation based on fiscal year 1971 costs, we assumed that the conversion of the old Post Office Department to the new Postal Service would give postal management sufficient independent authority to achieve substantial savings. That has not been the case. I do not criticize Postmaster General Klassen or the Postal Service for this result. We do not know where we would be if we had not enacted the Postal Reorganization Act; the costs might have increased even more. No one can be sure. The point is, regardless of the reasons for the cost increases, they have in fact occurred, and the question before us is whether additional time should be given to the Postal Service to adjust to that reality.

Committee members have given careful consideration to several alternatives. After thorough consideration, we decided to grant an additional 3 years to regular rate mailers and an additional 3 years to nonprofit mailers. I believe this is a very responsible proposal. It may be that additional legislation will be needed to help the Postal Service. If further evidence justifies further adjustments in the Postal Reorganization Act, I am sure that the committee will consider those problems.

As I stated, there are significant benefits in this legislation for the mailers of second- and third-class mail which are nonprofit institutions. The pre-1970 law prescribed that nonprofit religious, educational, scientific, philanthropic, agricultural, labor, veterans, and fraternal organizations are entitled to mail at very low rates, and under the terms of the Postal Reorganization Act those rates may never exceed attributable costs. In other words, they pay none of the overhead.

It is estimated that in fiscal year 1975

nonprofit mailers of second-class publications, such as church newsletters, the American Legion magazine—which was mentioned by the Senator from Massachusetts (Mr. KENNEDY)—the Boy Scout magazine and many other nonprofit publications, will total approximately 2.3 billion pieces of mail. Regular rate publications such as newspapers and magazines, which are operated for profit, will total 6.5 billion pieces. Although a significant portion of the total cost of the phase-in legislation goes for regular newspapers and magazines, the contribution per piece favors nonprofit publications which are not required to contribute to institutional costs. The committee has not extended additional time for phasing to profit-oriented third-class mailers. All of the cost attributable to third-class mail in S. 411 is only for the benefit of nonprofit organizations who are generally engaged in the solicitation of charitable funds—Easter Seals, church contributions, and other worthwhile fund-raising activities.

Mr. President, I feel that Members of the Senate believe in the worth of nonprofit organizations. There is real concern over the burden increased postal rates have placed on these organizations. Their membership will suffer in the form of increased dues, reduced publication or possibly even curtailment of the major means of communication such an organization has with its members. The measure before us would offer these vital organizations significant relief.

Many would argue that we are addressing only the tip of the iceberg—that all costs have risen over the past decade and that nonprofit publishers are experiencing the same inflationary spiral as every American. However, the Committee on Post Office and Civil Service has correctly pointed out that while all costs had risen, postage costs have increased astronomically in comparison.

The publishers of the American Legion magazine tell us that in the 5 years prior to 1973, printing costs rose 10 percent; paper 11 percent, labor 8.5 percent; while postal costs an average of 23.5 percent per year since 1972.

The range of these increases in dollar totals are reflected in the reports of two of the largest nonprofit publications. I refer again to the American Legion magazine. They state that their postage bill increased from $163,000 in 1968 to more than $300,000 in 1973, and they estimated that if no relief is forthcoming their postal costs will approach $1 million in 1980. Turning to the Catholic Press, we find that their annual postal bill was about $10,000 in 1971. By 1981, under the present rate schedule and at the end of the 10-year phase-in period, it will be $50,000—an increase of 400 percent.

The situation of nonprofit publications is critical since they are least able to pass increases along to their subscribers. They do great work for the common welfare of the Nation, in addition to their own constituencies. They have fewer commercial resources available than any group of publications and yet, they sustain the greatest percentage of increase and the heaviest burden of all in this new structure of postage rates.

Let us not be remiss in our effort to aid them. Not only do we have the authority to provide relief, but the obligation.

Finally, Mr. President, I comment on the library mailer who serves your constituents and mine.

On the average, about half the books purchased by libraries are delivered by mail, and in the case of those located out of the metropolitan area, as much as 90 percent of the books and other materials are delivered by mail. A substantial rate increase adversely affects these users of the special fourth-class rate. I emphasize that most libraries have no way of passing on costs to their customers.

In order to offset higher postage costs, other expenditures must be reduced; namely, the purchase of books, magazines, and other library materials. At a time when our colleges and universities are seeking students in order to remain financially solvent, they will be expected to either absorb these postal increases or reduce their purchase of books. Such a situation is appalling. And what about the public libraries which serve all of our constituents? By reducing the amount of money these libraries must spend for postage, funds are freed for book acquisition. More books available means a better educated public. A better educated public means a better America.

I want to stress, Mr. President, that the total cost of S. 411 for all second-class, controlled circulation, nonprofit third-class and special-rate and library rate fourth-class mail for the coming fiscal year is $45.2 million. I believe that the benefits to the public, which reads second-class and controlled circulation publications, which supports charitable efforts, and which uses public libraries and buys books from publishers, support this modest appropriation of additional funds during this transitional period of the new Postal Service. I hope my colleagues will join in voting for the passage of S. 411.

Mr. President, I make the point of no quorum.

The PRESIDING OFFICER (Mr. HATHAWAY). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. McGEE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. McGEE. Mr. President, I ask for the yeas and nays on final passage.

The yeas and nays were ordered.

Mr. BAYH. Mr. President, as a cosponsor of S. 842, legislation similar to that now under consideration, I urge strongly that the Senate pass the pending bill to ease the tremendous burden being placed on thousands of newspapers and magazines, especially low-circulation publications, by the proposed increase in second-class postage rates.

The Postal Service has proposed second-class rate increases which could amount to 300 percent for profit publications and 700 percent for nonprofit publications. These are prohibitive rates for many magazines that are a vital part of our national scene, providing news and opinion essential to a participatory democracy.

Moreover, the proposed rate increases would work a severe hardship on thousands of weekly newspapers which are often the principal source of information within their communities. In my own State of Indiana, hundreds of these weekly publications are essential to the effective sharing of information in neighborhoods of larger cities and for entire towns in our rural communities.

The key provision of the pending bill (S. 411) would be to extend from 5 to 8 years the period for imposing the higher second-class postal rates on profitmaking publications, and from 10 to 16 years for nonprofit publications. These nonprofit publications include not only the publications of charitable organizations, but the publications of nonprofit civic, fraternal, and worker organizations.

It is not an exaggeration to say that if the Postal Service is able to force through its proposed rate increases over the short-term schedule it wants that many valuable publications, national and local, will cease to publish. The loss for the American people would be severe and the free flow of information, news, and opinion within our democracy would be seriously impaired.

It is important to point out, Mr. President, that the publications which rely on second-class postal rates—which have historically been subsidized because of the importance of publications that qualify for these rates—operate on very narrow profit margins and are very susceptible to the economic impact of any change in costs. In recent years the sharp rise in the price of paper has strained the budgets of these publications and the proposed rise in postal rates would sound the death knell for many of them.

It is unfortunate that the Postal Service has lost sight of the fact that the United States began public post offices in the earliest days of our country for the precise purpose of encouraging and fostering the widest possible dissemination of varying views via the mails.

Suggestions that the postal rate increases be passed along to subscribers are pointless, since a significant increase in subscription costs will mean the loss of readers, thereby lowering advertising revenues, and ultimately creating economic pressures which will force many periodicals to stop publishing.

Our Founding Fathers understood the necessity of the free exchange of political views to the success of democracy. This need for open discussion of matters of public affairs goes to the heart of the first amendment, and has been reaffirmed many times through our history by the special postal rates for newspapers and periodicals. To shut off this flow of opinion and information is to do damage—unnecessary and harmful—to democracy itself.

Mr. President, the urgency of the situation has been amply testified to by publishers from every part of the country. The need for congressional action to forestall unreasonable second-class postal rates is clear. I trust the Senate will respond to that need and pass this bill to protect the free and uninterrupted flow of opinion and information.

Mr. HRUSKA. Mr. President, I rise

in support of S. 411 which is presently under consideration.

The sole purpose of this bill is to increase the number of years permitted for postal rates to be absorbed by certain matters. I draw particular attention to the provision which would extend the phasing period for postal rates paid by publishers of magazines and newspapers.

It is my understanding that the Post Office and Civil Service Committee, chaired by my distinguished colleague, Mr. McGEE, has considered in great detail the matter of extending postal rate phasing periods. Only after extensive review and discussion was a decision reached by a majority of that committee. I commend the diligent efforts made by its members on this highly important and timely issue.

The broad dissemination of the written word has long been viewed as a powerful force in the public interest. Our early leaders took the position that the Post Office should provide a strong impetus to the promotion of the idea of democracy and self-government. There has been a conscious effort in our history to foster a belief that the press ought to be subsidized for this purpose. This idea has persisted until the recent increases in postal rates.

The report on S. 411 clearly reflects that the Congress underestimated the extent to which the 1970 Postal Reorganization Act would result in rapid and substantial increases in postal rates. Furthermore, there is evidence that publications have experienced increasing costs which are difficult to absorb because of the relatively low profit margin realized in this industry.

Thus, we have reached a situation in which the continued escalation of postal rates for such mailers may result in the demise or crippling of many prominent magazines and newspapers. In my view, this would be a result inimical to the best interests of the American people in general. Our citizens benefit greatly from the continuous flow of information and ideas through the printed word. This flow must be preserved.

It is not the intent of S. 411 to abrogate the intent and thrust of the 1970 Postal Reorganization Act which requires that each class of mail ultimately provide revenues equal at least to its attributable cost. The mandate to establish the Postal Service as a public corporation remains intact. Furthermore, this bill would not interfere with the authority of the Postal Rate Commission, established in the 1970 legislation, to determine and fix postal rates in the future. S. 411 would simply increase the existing subsidy to the Postal Service to ease the burden upon profit and nonprofit publications and certain other mailers caused by postal rates.

This Senator is well aware that the cost of this bill will exceed three-quarters of a billion dollars over the next 14 years. Nevertheless, I believe this matter is of sufficient priority to command this type of expenditure. Therefore, I urge my colleagues to vote in favor of S. 411 as presently drafted.

Mr. BENTSEN. Mr. President, I am pleased to be a cosponsor of S. 411, a bill to extend postal rate adjustments. In the last few years we have seen a series of exorbitant increases in second-, third-, and fourth-class postal rates, the first being an unprecedented 127-percent increase for second-class users. There have been additional rate increases since that time and it is my understanding that more can be expected in the future, perhaps ranging even as high as 700 percent.

Mr. President, these increases pose an extreme burden on those newspapers, periodicals, and nonprofit organizations such as libraries which are dependent on the mail for distribution and circulation. We are all familiar with the increasingly serious difficulties confronting the printed word in attempting to survive in face of increased costs and the impact of television. The cumulative effect can only be a deterioration in the quality of the information provided via the written word if not the actual demise of many valuable sources of information. The loser in the long run will be the American public.

But the burden of increased postal rates will bear the hardest on small- and medium-sized circulation periodicals and newspapers which will not be able to adapt to increased costs as easily as larger circulation periodicals. Particularly threatened are many high-quality magazines of primarily rural distribution.

Mr. President, the strength of our Nation lies in the basic freedoms we the American people enjoy and one of those is the freedom of thought and expression. The free flow of information and the exchange of ideas is an important ingredient of that freedom of expression. Increased and untenably high postal rates are an indirect form of censorship which cannot be tolerated. Therefore, it is imperative that those classes of mail users directly affected be allowed maximum flexibility to adjust to these increased rates. This bill is designed to accomplish that goal by extending the phasing-in period currently provided under the law to allow second-, third-, and fourth-class mail users to more easily adjust to increased mailing costs. But I want to emphasize that it will be the American public who will benefit most from the freer exchange of ideas made possible by this legislation. I urge the Senate to give its strong support to this bill.

Mr. NELSON. Mr. President, I will vote in favor of S. 411, a bill to delay implementation of the proposed postal rates which will increase mailing costs between 300 percent and 700 percent for second class publications. However, this affirmative vote does not reflect complete satisfaction with the limited relief provided by S. 411. In fact, there is still justified concern that that relief is insufficient to meet the problems raised by the increased rates.

This concern stems from undisputed evidence that proposed postal rate increases will pose a dangerous threat to the quality and, in some cases, survival of America's small periodicals and independent journals of opinion. This threat remains intact despite the provisions of S. 411, which delays the implementation of those rates an additional 3 years for certain profit publications and an additional 6 years for nonprofit publications.

In June 1972 I introduced legislation which would have afforded small periodicals the protection they need and deserve. The legislation included three principal provisions. First, like S. 411, it would have delayed implementation of proposed rate increases for second class publications. Second, it would have limited the postal rates which could have been applied to the first 250,000 copies of any periodical's issue. Third, it would have eliminated the per piece surcharge which is, in effect, a regressive tax that discriminates against the smaller periodicals.

Because Congress did not act on that legislation, I introduced the bill again in January 1973 (S. 630). The Post Office and Civil Service Committee held hearings last April on S. 630, as well as S. 411 and other related bills. Although the committee did not report out S. 630, the need for all the relief provided by the bill still exists.

To appreciate fully the need for legislation such as S. 630, it is necessary to understand the history of postal rates and the dangerous nature of the U.S. Postal Service's recent proposals.

Since 1792, Congress has repeatedly enacted low postal rates for second class publications. These low postal rates amounted to a small public subsidy for such publications.

The premise of this historic policy is clear. From the beginning of our Republic, Congress recognized that the Nation's magazines and newspapers provided the diversity of opinion and information necessary to an enlightened electorate. Without these periodicals, Congress realized that the education of the public—and, as a result, its ability to guide governmental policies—would be severely limited. Indeed, the notion underlying the free speech clause of the first amendment is that communication among the public is essential to preserve our democratic heritage.

The congressional policy supporting low postal rates for second class publications was discussed by the Supreme Court in *Hannen* v. *Esquire*, 327 U.S. 146, 154 (1946). In that case, the Court explained the purpose of the policy:

> It has been to encourage the distribution of periodicals which disseminated "information of public character" or which were devoted to "literature, the sciences, arts, or some special industry," because it was thought that those publications as a class contributed to the public good.

In 1970, Congress adopted the Postal Reorganization Act, which established the Postal Service as a quasi-public corporation. In enacting this measure, Congress did not abandon or qualify its commitment to America's periodicals. Section 101 of that act states explicitly that:

> The Postal Service shall have as its basic function the obligation to bind the Nation together through the personal, educational, literary and business correspondence of the people.

Nothing in the act requires the Postal Service to become entirely self-sufficient financially. The act states that the Postal Service should establish rates for

each class of mails which, "as nearly as practicable," cover the costs of providing mail service for that class (39 United States Code, section 3621). The act states further that the Postal Rate Commission—which must approve rates proposed by the Postal Service—should sanction proposed rate increases only after accounting for "the value of the mail service actually provided each class or type of mail service to both sender and recipient," and "the effect of rate increases upon the general public [and] business mail users." (39 United States Code, section 3622.) Thus, although the act does encourage the Postal Service to increase its efficiency and self-sufficiency, the act makes clear that public service—not a single-minded concern for revenues—should be the basic guideline for the Postal Service's policies and actions.

The Postal Service, however, has misconstrued its responsibilities and ignored the priorities established by Congress. Despite the clear intent of the act, the Postal Service in 1971 proposed that the postal rates for second class publications be increased an average of 143 percent over the next 5 years—the proposed rate was reduced in 1972 to an average 127 percent increased. The rate increases were explained as a means to increase the Postal Service's financial self-sufficiency.

Hearings before the Senate Post Office and Civil Service Committee demonstrated that these rates would actually raise postal rates for second publications an average of more than 400 percent by 1981. See Hearings at pages 300–321. The committee also found that the rate increases would weigh most heavily on the smaller publications—committee report at pages 10–11. The hearing record is replete with specific examples to support this conclusion. Reference to a few illustrates the problem dramatically:

The American Legion estimated that the mailing costs for its magazine under the new rates would increase from $200,000 in 1969 to $1 million in 1981. Mailing costs for the Legion's Maryland publication, Free State Warrior—which has a circulation of about 50,000—would jump from $186.37 in 1971 to $1,500 in 1981;

The mailing costs for the Grand Fork, N. Dak., Herald, which has a mailing circulation of 11,000, would escalate from $62,000 in 1970 to $169,000 in 1981;

The Catholic Press Association estimated that the mailing costs of its 425 member newspapers would jump from 300 to 800 percent by 1981. Thus, the mailing costs of the Fort Wayne-South Bend edition of Our Sunday Visitor, which has a circulation of 22,000, would rise from $7,575 in 1972 to $34,569 by 1981; and

The International Labor Press Organization estimated that mailing costs would rise as much as 800 percent for its more than 300 member publications—most of which are small tabloids of limited circulation.

As if these proposed rates were not enough, the Postal Service proposed last September that rates for second class publications be increased by another 34–43 percent. The Senate Post Office Committee concluded that these new propsals would, together with earlier proposals, increase mailing costs between 300 percent and 700 percent for America's small publications—committee report at page 3. Some have suggested that the rate increases might result in even higher costs. But whatever the figure, there is no dispute that these new increases, coupled with the earlier 127 percent average increases, pose a severe threat to the viability of America's small publications.

The total impact of these increases can be understood best by reference to specific examples:

The mailing costs of the Wisconsin Rural Electrical Cooperative Association's journal, which has a circulation of 110,000, will now jump from $7,400 in 1971 to $39,200 by 1981;

The mailing costs of the Atlantic Monthly, which has a circulation of about 300,000, will increase from $130,000 to more than $300,000 by 1981;

The mailing costs of the New Republic will likewise jump from $82,000 in 1973 to $224,000 in 1981; and

The Progressive magazine, which has a circulation of 45,000, estimated that its mailing costs will increase from $9,400 in 1972 to $24,000 in 1981. The magazine's business managers explained in a letter to my office that:

> The Progressive has, at best, an unstable and tenuous hold on life, excluding proposed postal increases. Confronted with an apparent minimum 243 percent second class rate hike, The Progressive's very survival is at stake.

In view of these effects, one commentator referred to the proposed rate increases as a new "stamp tax" which might be as discriminatory and unwise as the British stamp tax which helped to fan the revolutionary spirit in the American colonies. The proposed postal rate increases have also been excoriated by newspapers and other periodicals throughout the country.

Speaking of the 127-percent rate increase proposed in 1972, the Wisconsin Rapids Tribune editorialized that:

> Many smaller publications such as independent opinion periodicals and weekly newspapers who rely heavily on mail circulation to rural areas would not be able to continue operations if they had to meet the financial burdens that would occur with proposed rate hikes.

Richard Fetsch, spokesman for the American Newspaper Publishers Associations, added that the proposed rate increases could diminish the availability of newspapers and journals of opinion to those in nonurban areas:

> It is in the rural areas, where there is no feasible alternate means of delivery, that we are in danger of pricing the daily newspaper beyond the reach of many readers.

The Topeka, Kans., State Journal likewise commented that the proposed 127-percent rate increase alone would pose a dangerous threat to the stability and survival of smaller publications.

And Price Waterhouse, Inc., the prestigious accounting firm, has concluded that the proposed rate increases will probably decrease the number of periodicals available and will probably require the surviving ones to concentrate on high-income audiences.

Congress should not stand by idly while the very existence of America's smaller periodicals and independent journals of opinion is threatened. These smaller publications are a vital source of information and diverse ideas on culture, science, history, and public affairs. Without them, milions of Americans will be deprived of a valuable resource of information, ideas, and opinions.

S. 411, the bill reported out of the Senate Post Office Committee, will provide some help by delaying implementation of the proposed rate increases. But as a publisher of one small periodical told my office, for most small publications a delay will "only mean a postponement of the death sentence." In other words, by letting the proposed rates remain in effect, Congress will be approving a rate system which will undermine the basic policy of the Postal Reorganization Act: the establishment of rates which do not diminish the service necessary to meet the public's needs. Any rates which threaten the viability of America's small periodicals surely cannot satisfy that criterion.

In light of this analysis, it seems both appropriate and necessary to introduce amendments to S. 411 to strengthen the relief afforded to small periodicals. But I will not propose such amendments. This decision does not reflect an unwillingness to draft, propose, and work for the enactment of the amendments. Rather, the decision reflects a willingness to accede to the wishes of publishers of small periodicals, as well as trade associations representing small periodicals.

They are extremely concerned that a bill stronger than S. 411 would not be agreeable to the necessary majorities in Congress. In their view, it would be preferable to accept the limited relief provided by S. 411 than to accept the risk that a stronger bill would not be passed by Congress.

I have not and will not abandon the fight, however. If re-elected to the next Congress, I intend to introduce again legislation which would provide America's small periodicals and independent journals of opinion with the relief they need and deserve.

Mr. President, I ask unanimous consent to insert in the RECORD a newspaper column by Milton Viorst in which the proposed postal rate increases are criticized as a new "stamp tax."

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

A NEW KIND OF STAMP TAX

(By Milton Viorst)

Since President Nixon is so anxious to correct television's "outrageous, vicious, distorted" coverage of the news, he should presumably be trying to open up alternative channels of communication to the people. Instead, he's closing them.

He's closing them by allowing the U.S. Postal Service to impose an ever greater burden in mailing costs on the nation's 10,000 magazines and 9,000 daily and weekly newspapers.

Two years ago, the Postal Service announced it was increasing mailing charges, in five annual steps, by no less than 127 percent. Two of those steps have already gone into effect. Now the Postal Service says it will raise rates by an additional 33 to 44 percent.

The victims of these increases are not just the big commercial publications like Life, which was quoted in its death notice as say-

ing it could not absorb such an enormous new expense. Other victims were scattered over the field, down to the Providence Sister, a tiny publication of Catholic nuns.

The explanation for this increase is that the postal system having been divorced from the federal bureaucracy to be reorganized as an independent corporation, must now be conducted on a "business-like" basis.

But the continued erosion of our mail delivery network, to say nothing of our railroad system, demonstrates clearly that the reorganization of sick enterprises into independent corporations is not, as some of its proponents once argued, going to make them well.

We see now they stay sick or get sicker. And what's worse they are run without the slightest concern for the public interest.

The fact is, since it was founded in 1972, the American postal system has never been looked upon by Congress as an enterprise that had to pay its own way. It was considered a public service, to be run competently but not profitably.

More to the point, from the first days of the Republic the postal service gave preferential rates to newspapers and magazines—on the grounds that they served an educational function and contributed to the quality of citizenship.

This policy was maintained—and, in fact, extended—throughout our history. William McKinley's postmaster general, Charles E. Smith, boasted that the post office, in granting such subsidies, encouraged "intercommunication and the exchange of intelligence."

It was not until the independent postal system was established in 1971 that an attempt was made to abandon this policy, and some have argued—Sen. Gaylord Nelson of Wisconsin most persistently—that, though the law creating the U.S. Postal Service is imprecise, such action runs contrary to congressional intent.

Neither Nelson nor anyone else has argued that postal rates for magazines and newspapers should not go up—but he has introduced legislation seeking to cut the increase from murderous to something more nearly reasonable.

In theory, Nixon should be on his side. No man has complained more about the "particular line" that television today takes in delivering the news. He says the "people are pounded night after night with . . . frantic, hysterical reporting."

I don't agree with that judgment, but I do agree it's vital that the people be encouraged to diversify their sources of information. By necessity, television news is superficial and homogenized. An intelligent electorate has got to have, besides television, ready access to information that's in print.

Unfortunately, the daily newspapers that are locally available throughout much of the country fill the gap very poorly. News of the outside world is scarce in them, and diversity of opinion is scarcer still.

If Nixon wants to dilute television's growing power over America's minds, he won't do it by driving magazines out of business. I suspect it's only that he prefers his distortions to the networks'; I see no genuine commitment to a diversity of views.

Indeed, the magazines threatened with extinction are as much on the right as on the left of the political panorama. Nixon's postal policies are not just quieting dissent. They are contributing to a quieting of the national dialogue itself.

What we're talking about is a postal subsidy of a penny or two a year from each American. That's a very small price to keep channels of communication open—and to refute the alleged lies to which Nixon so vigorously objects.

Mr. PERCY. Mr. President, I would like first of all to commend Chairman McGEE and the other members of the Committee on Post Office and Civil Service for their work on this most important legislation. The American people have a vested interest in the economical and efficient operation of the U.S. Postal Service, and they can be proud of the thoughtful consideration given this legislation.

In a narrow sense, we are merely discussing whether or not we should authorize postal subsidies beyond 1984. But in a much broader sense, we are debating the people's right to know. At this time, possibly more than in any other in our Nation's history, we can ill-afford to stifle the free flow of news, ideas, and opinions. It is imperative that we have access to the widest possible range of information if we are to survive as an informed, free-thinking, and democratic electorate. The press has been and should continue to be the public's chief insight into the day-to-day workings of our institutions, public as well as private. A free press offers one important means whereby public officials are held accountable to the electorate, and if the people are to make wise and responsible decisions on the issues of the day, they must be afforded exposure to as many varying views as possible. The committee report on S. 411 shows that without the revision of phasing provisions, the quality and even the existence of hundreds of publications will be threatened.

This legislation would not, as opponents argue, negate the intent of the Postal Reorganization Act of 1970. That act required that, in time, all classes of mail would pay at least their attributable costs as the Postal Service moved toward self-sufficiency. But studies pursuant to the enactment of that legislation have shown that we underestimated the resultant postal rates, and now we must act decisively to alleviate the burden we have placed on the publishing industry. Rather than abrogating the mandate of the 1970 act, we are simply delaying the time when each class of mail will pay its own way.

The mails should not be viewed merely as a business enterprise. We must also view them as providing a valuable public service, and it is our responsibility to protect that service. What we do here today will have a profound effect on the reading habits of millions of Americans, and we must accept the challenge and act in the best interests of the public.

Mr. President, I am glad that we finally have the opportunity to vote on this legislation, and I am pleased to be able to support it.

Mr. SCHWEIKER. Mr. President, the Senate is taking up today S. 411, a bill to delay increases in second-class postal rates. New Postal Service rates would be phased in over a period of 8 years, rather than the current schedule of 5 years. Any shorter time frame for implementation of postal rate increases could be fatal to publications that depends on subscriptions and the mails for the readership. It threatens the very existence of many newspapers and magazines.

I am disturbed by the overall increases in postal costs, and question whether the new Postal Service has made the improvements we expected. I will not sit back and allow exorbitant second-class postal increases to force newspapers and magazines to cease publication. I strongly urge the Senate to quickly pass this necessary legislation.

This new legislation would not apply to unsolicited, or so-called junk mail, but would benefit publications subscribed to by the public. Historically, low postal rates have been in effect for newspapers and magazines to help encourage the widest possible dissemination of information. Our democracy is strengthened by a wide variety of newspapers and magazines on many subjects, and it is the public that loses if this diversity of opinion and information is curtailed because of exorbitant postal costs.

NEED FOR IMPROVED POSTAL SERVICE

Mr. TUNNEY. Mr. President, in the 3 years since the Postal Reorganization Act, we have witnessed a serious decline, rather than an improvement, in the quality of postal service. The Postal Service's ultimate concern should be the continuation of a historic system of efficient operation and prompt mail service.

All citizens have a right to expect mail delivery within a reasonable time. The Postal Service cannot be viewed as just another business; rather, it must be considered a public service organization on which the commercial, economic and social well-being of the entire Nation relies.

While I support the concept behind the legislation being considered today, and while I recognize the needs of second-class users for a longer period of time to adjust to the increased postal rates, I also share the concerns of my constituents who are paying more in postal rates and receiving less in service. We cannot continue to approve ever-increasing postal rates without giving equal consideration to the manner in which the postal service is operating and the quality of service being provided to all classes of users.

The intent of Congress was that—

The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, education, literary, and business correspondence of the people . . . The costs of establishing and maintaining the Postal Service shall not be apportioned to impair the overall value of such service to the people.

While this may have been the original purpose, my office has received in the last year over 2,000 complaints from virtually every part of California that would seem to indicate that the Postal Service is not meeting the expectations of Congress. These complaints have come not only from private citizens, but public officials, members of postal unions, as well as from those individuals whose livelihoods depend on adequate and timely mail delivery.

By far, the most frequent complaint, is how much time it takes for the mail to get from sender to receiver and the problems caused by this delay. Payments for bills are received late, and some customers have been penalized. Pension, social security, and disability checks are not arriving on time. Payroll checks are late. All too often it seems packages are

taking weeks to go short distances or not arriving at all.

Other complaints are from postal employees who say they are discouraged from doing a job they can be proud of by cutbacks in manpower and other Postal Service policies.

The rise in the number of complaints is alarming because Congress created the Postal Service to improve service. But, judging from the complaints received, service may actually be declining. Poor, inefficient mail service is something that this Nation cannot afford. Too much that is important depends on the mail.

The types of letters I have been receiving are a good example of the problems I have been discussing. For instance, one individual complained that it took 7 days for the receipt of a special delivery letter within the city limits. Others complain that it takes less time to walk the distance than it does to send a letter through the mail. For example, it apparently takes a week to receive a letter which travels a distance of no more than 20 miles.

One of my constituents from Santa Ana wrote the first of November 1973 listed the following complaints:

My June 22, 1973 paycheck, mailed from Santa Ana to Santa Ana, hasn't arrived. My 82-year-old mother has not received a Medicare refund check mailed in March 1973 nor a property tax refund mailed in June—from Sacramento to Laguna Hills, California. My college-age son has not received very important papers needed for admission to Law School which were mailed from Los Angeles to Berkeley on October 18, 1973, a distance of some 450 miles.

A member of the Los Angeles Police Protective League wrote:

On June 15, 1973, approximately 4,000 post card ballots were delivered to the Terminal Annex in the City of Los Angeles for mailing. These ballots were sent by first-class mail. It is our understanding that these ballots remained in the post office for approximately 10 days before they were actually mailed. After several complaints from our members, we learned that it took as long as June 29, 1973, for some of our members to receive their ballots. We have also been contacted by members who have stated that they have never received a ballot.

Because of these continuing complaints, I would strongly urge that the Committee on Post Office and Civil Service, consider holding further oversight hearings in order to determine how the problems of the Postal Service can finally be resolved.

POSTAL RATE STRETCHOUT

Mr. DOLE. Mr. President, the bill we are considering today, S. 411, is of major significance to America's publishing industry. It provides a so-called stretchout in the period over which major postal rate increases will be put into effect. This stretchout is not a reduction in the rates themselves or the elimination of any structures which the Postal Service has established. What it does accomplish is the provision of an additional period for publishers and other users of certain second-, third-, and fourth-class rates to plan their businesses and organize their financial structures to account for substantially increased mailing costs.

To give a better indication of how these postage costs have risen for publishers since the new Postal Service first began operation, I ask unanimous consent that a chronological analysis of these rates be printed at this point in the RECORD.

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

CHRONOLOGY OF RATE INCREASES FOR REGULAR RATE SECOND CLASS MAIL

Most newspapers and magazines mailed outside county of publication pay these rates. Publishers pay on basis of editorial content, advertising content, distance (for advertising portion), and in addition a per piece surcharge. "Regular rate" (the typical commercial magazine) has 5 year phasing (which ends in July 1976), pays its attributable costs, plus a share of general overhead. About 56 per cent of all second class mail volume is in this category. A summary of rate changes is presented below.

February 1971: USPS files for first increase under Postal Reorganization Act of 1970.

May 1971: USPS installs temporary rate increase under Act, which allows such increases 90 days after filing for a rate adjustment. For second class regular rate publications, increase amounts to approximately 20 per cent over pre-May 15, 1971 rates.

July 1972: Governors of USPS approve rate request of February 1971. Final increase to be effective in July 1976 to be 127 per cent over pre-May 1971 rates. First step, effective July 1972, approximately 25 per cent over pre-May 1971 rates, or an additional 5 per cent on top of temporary increase. The approved rate increases were based on the assumption that total USPS operating costs, productivity, and mail volume would not change from 1972 base year levels.

September 1973: Second step, an additional 25 per cent over pre-May 1971 rate becomes effective. Delayed from July 1973 due to price freeze. To this date, increases approximately 50 per cent over pre-May 1971 rates.

September 1973: After the July 1973 two year labor settlement USPS files for second increase under Act because of changes in total operating costs, productivity, and mail volume from the 1972 base year level. Prepares to install same 90 days later, in January 1974.

March 1974: Temporary rates based on the USPS second rate increase filed in September 1973 and scheduled to be implemented in January 1974, but postponed to March by Cost of Living Council. Increase by this date amounts to 74 per cent over pre-May 1971 rates.

July 1974: Third step of the first increase becomes effective, plus additional step of the second increase. Combined increases raise rates to 122 per cent over pre-May 1971 rates.

July 1975: Fourth step of the first increase becomes effective, plus additional step of the second increase. Combined increase raise rates to 170 per cent over pre-May 1971 rates. With the July 1973 labor agreement expiring in July 1975 and USPS operating costs likely to continue rising at the 1971–75 rates, USPS will probably file for its third rate increase in the Fall of 1975 to be effective on a temporary basis 90 days thereafter. Based on historical trends and USPS projections to FY 1975, the "likely" rate request will be for rates 240 per cent over pre-May 1971 rates, or 25 per cent above the combined first and second rate increases to date.

July 1976: Fifth step of the first increase becomes effective, plus final step of the second increase. Combined increase raises average rate per piece by 217 per cent over pre-May 1971 rate. With approval of the probable third (1975) rate request increase, the "likely" July 1976 rate will be 300 per cent over the pre-May 1971 rates. The FY 1977 over FY 1971 "for sure" percentage increase is 217 per cent per piece, with a "likely" per piece increase of 300 per cent.

REGULAR RATE 2D-CLASS STATISTICS

	Volume (millions)	Revenue (millions)	Average per piece (cents)
Fiscal year 1971 [1]	5,519	$128	2.3
Fiscal year 1977 (USPA) [2]	4,947	362	7.3
Fiscal year 1977 ("likely") [3]	4,768	440	9.2

[1] Fiscal year 1971 USPS Revenue and Cost Analysis.
[2] Based on USPS Rate Proposal, Sept. 25, 1973.
[3] Projection based on a 2-year extension of recent USPS trends.

USPS only projects revenue and volume through fiscal 1975 in its current rate proposal. While USPS estimates it will receive $362 million from 4,947 million pieces in FY 1975 from regular rate mailers and from revenue foregone appropriations, it would be two years later—when phasing ends in FY 1977—that regular rate mailers would actually pay the full $362 million. But since USPS costs continue to increase, it is fair to assume that still another increase will come in FY 1976 to cover higher costs. The "likely" projections above reflect that the second class regular rate required revenue will increase by 10 per cent annually to $440 million in FY 1977 from the $362 million USPS FY 1975 estimate. This projection is conservative since the USPS projected increase from FY 1974 to FY 1975 is over 12 per cent. The "likely" projection also includes a volume estimate of 4,476 million pieces which is an extension (at the same rate) of the USPS 1973–75 projected volume decline.

Thus, by FY 1977, an additional 25 per cent rate increase—coming on top of those already proposed—would bring per piece rates to 9.2 cents, or a total increase from FY 1971 of 300 per cent. Since all phasing would have ended by FY 1977, any further increase in FY 1976 would be telescoped into two steps—in late 1975 and in July of 1976.

Mr. DOLE. Mr. President, I believe this explanation demonstrates the impact of these increases on the publishing industry generally. But more than the general publishing industry—which includes such highly profitable enterprises as the national news magazines, the giant newspaper empires, and the huge book and record clubs—I am concerned about the economic viability of the small operations that may operate on a national level but which are also regional or local.

These include small magazines, appealing to specialized, narrow readership; the publications of the Boy Scouts, the American Legion, and various charities and public service organizations; and the daily and weekly newspapers of our smaller cities and towns.

In Kansas we have many of these publications and a great number of their readers. And I am highly concerned that these sudden and significant rises in their costs of postage threaten their survival and service to America.

These smaller publications are really what our concept of free speech is all about. A giant newspaper or national magazine appeals to a mass audience and moves with a broad tide of public opinion. Its ideas and concepts find no difficulty in obtaining an outlet. But the small pamphlet, tabloid, or magazine, may put forward local, specialized, offbeat, or unpopular news, ideas, and thoughts, of which it may be the only source. And without these outlets our

ideal of free expression and open exchange of ideas has a hollow ring.

So, Mr. President, I support S. 411, not so much for the publishing industry which we see listed on the stock exchange and on every newsstand in America, but for the sake of the publishing industry which is seen only in one or two counties in Kansas, or in but two or three technical libraries in each State.

I support this bill for the publishers of the church bulletins, the veterans organizations magazines and the botany, bicycling, and other daily, weekly, and monthly journals which must survive if our freedoms are to prosper in America.

So, Mr. President, I am pleased to support this legislation as a member of the Committee on Post Office and Civil Service and as one who believes it is in the interests of one of our most important and precious liberties.

Mr. ROTH. Mr. President, I am voting against S. 411 to increase postal subsidies because somewhere along the line we in Congress are going to have to face up to the fact that if we are going to stop inflation we are going to have to stop voting for some of these costly programs designed to benefit a few special interests. The most crucial thing of all is that it is our taxpayers' dollars we are giving away, and this at a time when we should be doing all we can to stop inflation.

Mark my word, the average citizen will end up paying for these subsidies through increased postal rates. In this case it is the big media who will benefit at the individual taxpayer's expense. It is interesting to me that those who express the most indignation about subsidies for industry have been the most ardent supporters of this bill, and we are not talking about small amounts of money, we are talking about an additional $753,700,000 subsidy on top of the $1,602,000,000 subsidy they already are entitled to under present law, plus their share of the public service subsidy of $10,530,000,000.

If we, in Government, are going to do our share to slow down inflation, we are simply going to have to stop providing these subsidies that are no longer justified.

Those smaller newspapers and charities should be given some consideration when it comes to assistance but certainly not the big profitable operations such as the Wall Street Journal and Time magazine.

The ordinary citizen gets it in the neck both ways. He has to pay increased taxes to pay for the subsidies on the one hand and increased postage on the other. This continual drain on the public's pocketbook is fraught with peril for our economy. It is time we all realize that the public, hard hit by inflation and high prices, will not much longer tolerate these incessant raids on individual pocketbooks.

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

The PRESIDING OFFICER. All time has been yielded back.

The question is on agreeing to the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read a third time, the question is, Shall it pass? On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BUCKLEY (when his name was called). Present.

Mr. HARRY F. BYRD, JR. (when his name was called). Present.

Mr. STEVENSON (when his name was called). Present.

Mr. MANSFIELD (after having voted in the negative). Mr. President, on this vote I have a pair with the senior Senator from Arkansas (Mr. McCLELLAN). If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." Therefore, I withdraw my vote.

Mr. ROBERT C. BYRD. I announce that the Senator from Arkansas (Mr. FULBRIGHT), the Senator from Iowa (Mr. HUGHES), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Alaska (Mr. GRAVEL), the Senator from Arkansas (Mr. McCLELLAN), the Senator from Mississippi (Mr. STENNIS), and the Senator from New Jersey (Mr. WILLIAMS) are necessarily absent.

I further announce that the Senator from Florida (Mr. CHILES) is absent on official business.

I further announce that, if present and voting, the Senator from Iowa (Mr. HUGHES) and the Senator from Minnesota (Mr. HUMPHREY) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Oklahoma (Mr. BELLMON), the Senator from New Jersey (Mr. CASE), the Senator from New Hampshire (Mr. COTTON), the Senator from Arizona (Mr. GOLDWATER), the Senator from Wyoming (Mr. HANSEN), and the Senator from Maryland (Mr. MATHIAS) are necessarily absent.

I further announce that, if present and voting, the Senator from New Jersey (Mr. CASE) would vote "yea."

The Senator from New York (Mr. BUCKLEY) voted "present."

The result was announced—yeas 71, nays 11, as follows:

[No. 186 Leg.]

YEAS—71

Abourezk	Griffin	Muskie
Aiken	Gurney	Nelson
Allen	Hart	Nunn
Baker	Hartke	Packwood
Bayh	Haskell	Pastore
Beall	Hatfield	Pearson
Bentsen	Hathaway	Pell
Bible	Hollings	Percy
Biden	Hruska	Randolph
Brock	Inouye	Ribicoff
Brooke	Jackson	Schweiker
Burdick	Javits	Scott, Hugh
Byrd, Robert C.	Johnston	Sparkman
Cannon	Kennedy	Stafford
Church	Long	Stevens
Clark	Magnuson	Symington
Cook	McGee	Taft
Cranston	McGovern	Talmadge
Curtis	McIntyre	Thurmond
Dole	Metcalf	Tower
Domenici	Metzenbaum	Tunney
Eagleton	Mondale	Weicker
Eastland	Montoya	Young
Ervin	Moss	

NAYS—11

Bartlett	Fong	Proxmire
Bennett	Helms	Roth
Dominick	Huddleston	Scott,
Fannin	McClure	William L.

ANSWERED "PRESENT"—3

Buckley	Byrd, Harry F., Jr.	Stevenson

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Mansfield, against

NOT VOTING—14

Bellmon	Goldwater	Mathias
Case	Gravel	McClellan
Chiles	Hansen	Stennis
Cotton	Hughes	Williams
Fulbright	Humphrey	

So the bill (S. 411) was passed, as follows:

S. 411

An act to amend title 39, United States Code, with respect to certain rates of postage, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3626 of title 39, United States Code, is amended as follows:

(1) Subparagraph (1) is amended by striking out the word "tenth" and inserting in lieu thereof the word "sixteenth" and by striking out the word "and" following the semicolon.

(2) Subparagraph (2) is amended—

(A) by inserting the word "former" between the words "under" and "sections";

(B) by striking out "4452(a),";

(C) by striking out the word "fifth" and inserting in lieu thereof the word "eighth";

(D) by striking out "subsection" and inserting in lieu thereof "subparagraph"; and

(E) by striking out the period and inserting in lieu thereof a semicolon and the word "and".

(3) Immediately below subparagraph (2), add the following new subparagraph:

"(3) the rates for mail under former section 4452(a) shall be equal, on and after the first day of the fifth year following the effective date of the first rate decision applicable to that class or kind, to the rates that would have been in effect for such mail if this subparagraph had not been enacted."

SEC. 2. Nothing in section 1 of this Act shall be construed to authorize a reduction in any rate of postage in effect and being paid on the date of enactment of this Act.

SEC. 3. Section 2009 of title 39, United States Code, is amended by adding at the end thereof the following: "The budget program shall also include separate statements of the amounts which the Postal Service requests to be appropriated under subsections (b) and (c) of section 2401 of this title. The President shall include these amounts, with his recommendations but without revision, in the budget transmitted to Congress under section 11 of title 31.".

The title was amended, so as to read "A bill to amend title 39, United States Code, with respect to certain rates of postage and for other purposes."

Mr. McGEE. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. RANDOLPH. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Hackney, one of its reading clerks, announced that the House had agreed to the amendments of the Senate to the bill (H.R. 6574) to

amend title 38, United States Code, to encourage persons to join and remain in the Reserves and National Guard by providing full-time coverage under Servicemen's Group Life Insurance for such members and certain members of the Retired Reserve, and for other purposes.

The message also announced that the House had passed a bill (H.R. 8193) to require that a percentage of U.S. oil imports be carried on U.S.-flag vessels, in which it requested the concurrence of the Senate.

DISASTER RELIEF ACT AMENDMENTS OF 1974 CONFERENCE REPORT

Mr. BURDICK. Mr. President, I submit a report of the committee of conference on S. 3062, and ask for its immediate consideration.

The PRESIDING OFFICER. The report will be stated by title.

The legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3062) entitled the "Disaster Relief Act Amendments of 1974", having met, after full and free conference, have agreed to recommend and do recommend to fair respective Houses this report, signed by all the conferees.

The PRESIDING OFFICER. Is there objection to the consideration of the conference report?

There being no objection, the Senate proceeded to consider the report, which reads as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3062) entitled the "Disaster Relief Act Amendments of 1974", 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:

That this Act may be cited as the "Disaster Relief Act of 1974".

TITLE I—FINDINGS, DECLARATIONS, AND DEFINITIONS

FINDINGS AND DECLARATIONS

SEC. 101. (a) The Congress hereby finds and declares that—

(1) because disasters often cause loss of life, human suffering, loss of income, and property loss and damage; and

(2) because disasters often disrupt the normal functioning of governments and communities, and adversely affect individuals and families with great severity; special measures, designed to assist the efforts of the affected States in expediting the rendering of aid, assistance, and emergency services, and the reconstruction and rehabilitation of devastated areas, are necessary.

(b) It is the intent of the Congress, by this Act, to provide an orderly and continuing means of assistance by the Federal Government to State and local governments in carrying out their responsibilities to alleviate the suffering and damage which result from such disasters by—

(1) revising and broadening the scope of existing disaster relief programs;

(2) encouraging the development of comprehensive disaster preparedness and assistance plans, programs, capabilities, and organizations by the States and by local governments;

(3) achieving greater coordination and responsiveness of disaster preparedness and relief programs;

(4) encouraging individuals, States, and local governments to protect themselves by obtaining insurance coverage to supplement or replace governmental assistance;

(5) encouraging hazard mitigation measures to reduce losses from disasters, including development of land use and construction regulations;

(6) providing Federal assistance programs for both public and private losses sustained in disasters; and

(7) providing a long-range economic recovery program for major disaster areas.

DEFINITIONS

SEC. 102. As used in this Act—

(1) "Emergency" means any hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, drought, fire, explosion, or other catastrophe in any part of the United States which requires Federal emergency assistance to supplement State and local efforts to save lives and protect property, public health and safety or to avert or lessen the threat of a disaster.

(2) "Major disaster" means any hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, drought, fire, explosion, or other catastrophe in any part of the United States which, in the determination of the President, causes damage of sufficient severity and magnitude to warrant major disaster assistance under this Act, above and beyond emergency services by the Federal Government, to supplement the efforts and available resources of States, local governments, and disaster relief organizations in alleviating the damage, loss, hardship, or suffering caused thereby.

(3) "United States" means the fifty States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, the Canal Zone, and the Trust Territory of the Pacific Islands.

(4) "State" means any State of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, the Canal Zone, or the Trust Territory of the Pacific Islands.

(5) "Governor" means the chief executive of any State.

(6) "Local government" means (A) any county, city, village, town, district, or other political subdivision of any State, any Indian tribe or authorized tribal organization, or Alaska Native village or organization, and (B) includes any rural community or unincorporated town or village or any other public entity for which an application for assistance is made by a State or political subdivision thereof.

(7) "Federal agency" means any department, independent establishment, Government corporation, or other agency of the executive branch of the Federal Government, including the United States Postal Service, but shall not include the American National Red Cross.

TITLE II—DISASTER PREPAREDNESS ASSISTANCE

FEDERAL AND STATE DISASTER PREPAREDNESS PROGRAMS

SEC. 201. (a) The President is authorized to establish a program of disaster preparedness that utilizes services of all appropriate agencies (including the Defense Civil Preparedness Agency) and includes—

(1) preparation of disaster preparedness plans for mitigation, warning, emergency operations, rehabilitation, and recovery;

(2) training and exercises;

(3) postdisaster critiques and evaluations;

(4) annual review of programs;

(5) coordination of Federal, State, and local preparedness programs;

(6) application of science and technology;

(7) research.

(b) The President shall provide technical assistance to the States in developing comprehensive plans and practicable programs for preparation against disasters, including hazard reduction, avoidance, and mitigation; for assistance to individuals, businesses, and State and local governments following such disasters; and for recovery of damaged or destroyed public and private facilities.

(c) Upon application by a State, the President is authorized to make grants, not to exceed in the aggregate to such State $250,000, for the development of plans, programs, and capabilities for disaster preparedness and prevention. Such grants shall be applied for within one year from the date of enactment of this Act. Any State desiring financial assistance under this section shall designate or create an agency to plan and administer such a disaster preparedness program, and shall, through such agency, submit a State plan to the President, which shall—

(1) set forth a comprehensive and detailed State program for preparation against and assistance following, emergencies and major disasters, including provisions for assistance to individuals, businesses, and local governments; and

(2) include provisions for appointment and training of appropriate staffs, formulation of necessary regulations and procedures, and conduct of required exercises.

(d) The President is authorized to make grants not to exceed 50 per centum of the cost of improving, maintaining and updating State disaster assistance plans, except that no such grant shall exceed $25,000 per annum to any State.

DISASTER WARNINGS

SEC. 202. (a) The President shall insure that all appropriate Federal agencies are prepared to issue warnings of disasters to State and local officials.

(b) The President shall direct appropriate Federal agencies to provide technical assistance to State and local governments to insure that timely and effective disaster warning is provided.

(c) The President is authorized to utilize or to make available to Federal, State, and local agencies the facilities of the civil defense communications system established and maintained pursuant to section 201(c) of the Federal Civil Defense Act of 1950, as amended (50 U.S.C. App. 2281(c)), or any other Federal communications system for the purpose of providing warning to governmental authorities and the civilian population in areas endangered by disasters.

(d) The President is authorized to enter into agreements with the officers or agents of any private or commercial communications systems who volunteer the use of their systems on a reimbursable or nonreimbursable basis for the purpose of providing warning to governmental authorities and the civilian population endangered by disasters.

TITLE III—DISASTER ASSISTANCE ADMINISTRATION

PROCEDURES

SEC. 301. (a) All requests for a determination by the President that an emergency exists shall be made by the Governor of the affected State. Such request shall be based upon the Governor's finding that the situation is of such severity and magnitude that effective response is beyond the capabilities of the State and the affected local governments and that Federal assistance is necessary. The Governor's request will furnish information describing State and local efforts and resources which have been or will be

used to alleviate the emergency, and will define the type and extent of Federal aid required. Based upon such Governor's request, the President may determine that an emergency exists which warrants Federal assistance.

(b) All requests for a declaration by the President that a major disaster exists shall be made by the Governor of the affected State. Such Governor's request shall be based upon a finding that the disaster is of such severity and magnitude that effective response is beyond the capabilities of the State and the affected local governments and that Federal assistance is necessary. As a part of this request, and as a prerequisite to major disaster assistance under the Act, the Governor shall take appropriate action under State law and direct execution of the State's emergency plan. He shall furnish information on the extent and nature of State resources which have been or will be used to alleviate the conditions of the disaster, and shall certify that for the current disaster, State and local government obligations and expenditures (of which State commitments must be a significant proportion) will constitute the expenditure of a reasonable amount of the funds of such State and local governments for alleviating the damage, loss, hardship, or suffering resulting from such disaster. Based upon such Governor's request, the President may declare that a major disaster exists, or that an emergency exists.

FEDERAL ASSISTANCE

SEC. 302. (a) In the interest of providing maximum mobilization of Federal assistance under this Act, the President shall coordinate, in such manner as he may determine, the activities of all Federal agencies providing disaster assistance. The President may direct any Federal agency, with or without reimbursement, to utilize its available personnel, equipment, supplies, facilities, and other resources including managerial and technical services in support of State and local disaster assistance efforts. The President may prescribe such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act, and he may exercise any power or authority conferred on him by any section of this Act either directly or through such Federal agency as he may designate.

(b) Any Federal agency charged with the administration of a Federal assistance program is authorized, if so requested by the applicant State or local authorities, to modify or waive, for a major disaster, such administrative conditions for assistance as would otherwise prevent the giving of assistance under such programs if the inability to meet such conditions is a result of the major disaster.

(c) Notwithstanding any other provision of law, any repair, restoration, reconstruction, or replacement of farm fencing damaged or destroyed as a result of any major disaster shall be considered an emergency conservation measure eligible for payments under chapter I of the Third Supplemental Appropriation Act, 1957, or any other provision of law.

COORDINATING OFFICERS

SEC. 303. (a) Immediately upon his declaration of a major disaster, the President shall appoint a Federal coordinating officer to operate in the affected area.

(b) In order to effectuate the purposes of this Act, the Federal coordinating officer, within the affected area, shall—

(1) make an initial appraisal of the types of relief most urgently needed;

(2) establish such field offices as he deems necessary and as are authorized by the President;

(3) coordinate the administration of relief, including activities of the State and local governments, the American National Red Cross, the Salvation Army, the Mennonite Disaster Service, and other relief or disaster assistance organizations, which agree to operate under his advice or direction, except that nothing contained in this Act shall limit or in any way affect the responsibilities of the American National Red Cross under the Act of January 5, 1905, as amended (33 Stat. 599); and

(4) take such other action, consistent with authority delegated to him by the President, and consistent with the provisions of this Act, as he may deem necessary to assist local citizens and public officials in promptly obtaining assistance to which they are entitled.

(c) When the President determines assistance under this Act is necessary, he shall request that the Governor of the affected State designate a State coordinating officer for the purpose of coordinating State and local disaster assistance efforts with those of the Federal Government.

EMERGENCY SUPPORT TEAMS

SEC. 304. The President shall form emergency support teams of Federal personnel to be deployed in an area affected by a major disaster or emergency. Such emergency support teams shall assist the Federal coordinating officer in carrying out his responsibilities pursuant to this Act. Upon request of the President, the head of any Federal agency is directed to detail to temporary duty with the emergency support teams on either a reimbursable or nonreimbursable basis, as is determined necessary by the President, such personnel within the administrative jurisdiction of the head of the Federal agency as the President may need or believe to be useful for carrying out the functions of the emergency support teams, each such detail to be without loss of seniority, pay, or other employee status.

EMERGENCY ASSISTANCE

SEC. 305. (a) In any emergency, the President may provide assistance to save lives and protect property and public health and safety.

(b) The President may provide such emergency assistance by directing Federal agencies to provide technical assistance and advisory personnel to the affected State to assist the State and local governments in—

(1) the performance of essential community services; warning of further risks and hazards; public information and assistance in health and safety measures; technical advice on management and control; and reduction of immediate threats to public health and safety; and

(2) the distribution of medicine, food, and other consumable supplies, or emergency assistance.

(c) In addition, in any emergency, the President is authorized to provide such other assistance under this Act as the President deems appropriate.

COOPERATION OF FEDERAL AGENCIES IN RENDERING DISASTER ASSISTANCE

SEC. 306. (a) In any major disaster or emergency, Federal agencies are hereby authorized, on the direction of the President, to provide assistance by—

(1) utilizing or lending, with or without compensation therefor, to States and local governments, their equipment, supplies, facilities, personnel, and other resources, other than the extension of credit under the authority of any Act;

(2) distributing or rendering, through the American National Red Cross, the Salvation Army, the Mennonite Disaster Service, and other relief and disaster assistance organizations, or otherwise, medicine, food and other consumable supplies, or emergency assistance;

(3) donating or lending equipment and supplies, including that determined in accordance with applicable laws to be surplus to the needs and responsibilities of the Federal Government, to State and local governments for use or distribution by them for the purposes of this Act; and

(4) performing on public or private lands or waters any emergency work or services essential to save lives and to protect and preserve property, public health and safety, including but not limited to: search and rescue, emergency medical care, emergency mass care, emergency shelter, and provision of food, water, medicine, and other essential needs, including movement of supplies or persons; clearance of roads and construction of temporary bridges necessary to the performance of emergency tasks and essential community services; provision of temporary facilities for schools and other essential community services; demolition of unsafe structures that endanger the public; warning of further risks and hazards; public information and assistance on health and safety measures; technical advice to State and local governments on disaster management and control; reduction of immediate threats to life, property, and public health and safety; and making contributions to State or local governments for the purpose of carrying out the provisions of this paragraph.

(b) Work performed under this section shall not preclude additional Federal assistance under any other section of this Act.

REIMBURSEMENT

SEC. 307. Federal agencies may be reimbursed for expenditures under this Act from funds appropriated for the purposes of this Act. Any funds received by Federal agencies as reimbursement for services or supplies furnished under the authority of this Act shall be deposited to the credit of the appropriation or appropriations currently available for such services or supplies.

NONLIABILITY

SEC. 308. The Federal Government shall not be liable for any claim based upon the exercise or performance of or the failure to exercise or perform a discretionary function or duty on the part of a Federal agency or an employee of the Federal Government in carrying out the provisions of this Act.

PERFORMANCE OF SERVICES

SEC. 309. (a) In carrying out the purposes of this Act, any Federal agency is authorized to accept and utilize the services or facilities of any State or local government, or of any agency, office, or employee thereof, with the consent of such government.

(b) In performing any services under this Act, any Federal agency is authorized—

(1) to appoint and fix the compensation of such temporary personnel as may be necessary, without regard to the provisions of title 5, United States Code, governing appointments in competitive service;

(2) to employ experts and consultants in accordance with the provisions of section 3109 of such title, without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates; and

(3) to incur obligations on behalf of the United States by contract or otherwise for the acquisition, rental, or hire of equipment, services, materials, and supplies for shipping, drayage, travel, and communications, and for the supervision and administration of such activities. Such obligations, including obligations arising out of the temporary employment of additional personnel, may be incurred by an agency in such amount as may be made available to it by the President.

USE OF LOCAL FIRMS AND INDIVIDUALS

SEC. 310. In the expenditure of Federal funds for debris clearance, distribution of supplies, reconstruction, and other major disaster assistance activities which may be carried out by contract or agreement with private organizations, firms, or individuals, preference shall be given, to the extent feasible and practicable, to those organizations, firms, and individuals residing or doing business primarily in the area affected by such major disaster.

NONDISCRIMINATION IN DISASTER ASSISTANCE

SEC. 311. (a) The President shall issue, and may alter and amend, such regulations as may be necessary for the guidance of personnel carrying out Federal assistance functions at the site of a major disaster or emergency. Such regulations shall include provisions for insuring that the distribution of supplies, the processing of applications, and other relief and assistance activities shall be accomplished in an equitable and impartial manner, without discrimination on the grounds of race, color, religion, nationality, sex, age, or economic status.

(b) As a condition of participation in the distribution of assistance or supplies under this Act or of receiving assistance under section 402 or 404 of this Act, governmental bodies and other organizations shall be required to comply with regulations relating to nondiscrimination promulgated by the President, and such other regulations applicable to activities within an area affected by a major disaster or emergency as he deems necessary for the effective coordination of relief efforts.

USE AND COORDINATION OF RELIEF ORGANIZATIONS

SEC. 312. (a) In providing relief and assistance under this Act, the President may utilize, with their consent, the personnel and facilities of the American National Red Cross, the Salvation Army, the Mennonite Disaster Service, and other relief or disaster assistance organizations, in the distribution of medicine, food, supplies, or other items, and in the restoration, rehabilitation, or reconstruction of community services, housing and essential facilities, whenever the President finds that such utilization is necessary.

(b) The President is authorized to enter into agreements with the American National Red Cross, the Salvation Army, the Mennonite Disaster Service, and other relief or disaster assistance organizations under which the disaster relief activities of such organizations may be coordinated by the Federal coordinating officer whenever such organizations are engaged in providing relief during and after a major disaster or emergency. Any such agreement shall include provisions assuring that use of Federal facilities, supplies, and services will be in compliance with regulations prohibiting duplication of benefits and guaranteeing non-discrimination promulgated by the President under this Act, and such other regulation as the President may require.

PRIORITY TO CERTAIN APPLICATIONS FOR PUBLIC FACILITY AND PUBLIC HOUSING ASSISTANCE

SEC. 313. (a) In the processing of applications for assistance, priority and immediate consideration shall be given by the head of the appropriate Federal agency, during such period as the President shall prescribe, to applications from public bodies situated in areas affected by major disasters, under the following Acts:

(1) title II of the Housing Amendments of 1955, or any other Act providing assistance for repair, construction, or extension of public facilities;

(2) the United States Housing Act of 1937 for the provision of low-rent housing;

(3) section 702 of the Housing Act of 1954 for assistance in public works planning;

(4) section 702 of the Housing and Urban Development Act of 1965 providing for grants for public facilities;

(5) section 306 of the Consolidated Farmers Home Administration Act;

(6) the Public Works and Economic Development Act of 1965, as amended;

(7) the Appalachian Regional Development Act of 1965, as amended; or

(8) title II of the Federal Water Pollution Control Act, as amended.

(b) In the obligation of discretionary funds or funds which are not allocated among the States or political subdivisions of a State, the Secretary of Housing and Urban Development and the Secretary of Commerce shall give priority to applications for projects in major disaster areas in which a Recovery Planning Council has been designated pursuant to title VIII of the Public Works and Economic Development Act of 1965.

INSURANCE

SEC. 314. (a) (1) An applicant for assistance under section 402 or 419 of this Act or section 803 of the Public Works and Economic Development Act of 1965, shall comply with regulations prescribed by the President to assure that, with respect to any property to be replaced, restored, repaired, or constructed with such assistance, such types and extent of insurance will be obtained and maintained as may be reasonably available, adequate, and necessary to protect against future loss to such property.

(2) In making his determination with respect to such availability, adequacy and necessity, the President shall not require greater types and extent of insurance than are certified to him as reasonable by the appropriate State insurance commissioner responsible for regulation of such insurance.

(b) No applicant for assistance under section 402 or 419 of this Act or section 803 of the Public Works and Economic Development Act of 1965, shall receive such assistance for any property or part thereof for which he has previously received assistance under this Act unless all insurance required pursuant to this section has been obtained and maintained with respect to such property.

(c) A State may elect to act as a self-insurer with respect to any or all of the facilities belonging to it. Such an election, if declared in writing at the time of accepting assistance under section 402 or 419 of this Act or section 803 of the Public Works and Economic Development Act of 1965, or subsequently, and accompanied by a plan for self-insurance which is satisfactory to the President, shall be deemed compliance with subsection (a) of this section. No such self-insurer shall receive assistance under such sections for any property or part thereof for which it has previously received assistance under this Act, to the extent that insurance for such property or part thereof would have been reasonably available.

DUPLICATION OF BENEFITS

SEC. 315. (a) The President, in consultation with the head of each Federal agency administering any program providing financial assistance to persons, business concerns, or other entities suffering losses as the result of a major disaster, shall assure that no such person, business concern, or other entity will receive such assistance with respect to any part of such loss as to which he has received financial assistance under any other program.

(b) The President shall assure that no person, business concern, or other entity receives any Federal assistance for any part of a loss suffered as the result of a major disaster if such person, concern, or entity received compensation from insurance or any other source for that part of such a loss. Partial compensation for a loss or a part of a loss resulting from a major disaster shall not preclude additional Federal assistance for any part of such a loss not compensated otherwise.

(c) Whenever the President determines (1) that a person, business concern, or other entity has received assistance under this Act for a loss and that such person, business concern or other entity received assistance for the same loss from another source, and (2) that the amount received from all sources exceeded the amount of the loss, he shall direct such person, business concern, or other entity to pay to the Treasury an amount, not to exceed the amount of Federal assistance received, sufficient to reimburse the Federal Government for that part of the assistance which he deems excessive.

REVIEWS AND REPORTS

SEC. 316. The President shall conduct annual reviews of the activities of Federal agencies and State and local governments providing disaster preparedness and assistance, in order to assure maximum coordination and effectiveness of such programs, and shall from time to time report thereon to the Congress.

CRIMINAL AND CIVIL PENALTIES

SEC. 317. (a) Any individual who fraudulently or willfully misstates any fact in connection with a request for assistance under this Act shall be fined not more than $10,000 or imprisoned for not more than one year or both for each violation.

(b) Any individual who knowingly violates any order or regulation under this Act shall be subject to a civil penalty of not more than $5,000 for each violation.

(c) Whoever knowingly misapplies the proceeds of a loan or other cash benefit obtained under any section of this Act shall be subject to a fine in an amount equal to one and one-half times the original principal amount of the loan or cash benefit.

AVAILABILITY OF MATERIALS

SEC. 318. The President is authorized, at the request of the Governor of an affected State, to provide for a survey of construction materials needed in the area affected by a major disaster on an emergency basis for housing repairs, replacement housing, public facilities repairs and replacement, farming operations, and business enterprises and to take appropriate action to assure the availability and fair distribution of needed materials, including, where possible, the allocation of such materials for a period of not more than one hundred and eighty days after such major disaster. Any allocation program shall be implemented by the President to the extent possible, by working with and through those companies which traditionally supply construction materials in the affected area. For the purposes of this section "construction materials" shall include building materials and materials required for repairing housing, replacement housing, public facilities repairs and replacement, and for normal farm and business operations.

TITLE IV—FEDERAL DISASTER ASSISTANCE PROGRAMS

FEDERAL FACILITIES

SEC. 401. (a) The President may authorize any Federal agency to repair, reconstruct, restore, or replace any facility owned by the United States and under the jurisdiction of such agency which is damaged or destroyed by any major disaster if he determines that such repair, reconstruction, restoration, or replacement is of such importance and urgency that it cannot reasonably be deferred pending the enactment of specific authorizing legislation or the making of an appropriation for such purposes, or the obtaining of congressional committee approval.

(b) In order to carry out the provisions of this section, such repair, reconstruction, restoration, or replacement may be begun notwithstanding a lack or an insufficiency of funds appropriated for such purpose, where such lack or insufficiency can be remedied by the transfer, in accordance with law, of funds appropriated to that agency for another purpose.

(c) In implementing this section, Federal agencies shall evaluate the natural hazards to which these facilities are exposed and shall take appropriate action to mitigate such hazards, including safe land-use and construction practices, in accordance with standards prescribed by the President.

REPAIR AND RESTORATION OF DAMAGED FACILITIES

SEC. 402. (a) The President is authorized to make contributions to state or local governments to help repair, restore, reconstruct, or replace public facilities belonging to such State or local governments which were damaged or destroyed by a major disaster.

(b) The President is also authorized to make grants to help repair, restore, reconstruct, or replace private nonprofit educational, utility, emergency, medical, and custodial care facilities, including those for the aged or disabled, and facilities on Indian reservations as defined by the President, which were damaged or destroyed by a major disaster.

(c) For those facilities eligible under this section which were in the process of construction when damaged or destroyed by a major disaster, the grant shall be based on the net costs of restoring such facilities substantially to their predisaster condition.

(d) For the purposes of this section, "public facility" includes any publicly owned flood control, navigation, irrigation, reclamation, public power, sewage treatment and collection, water supply and distribution, watershed development, or airport facility, any non-Federal-aid street, road, or highway, any other public building, structure, or system including those used for educational or recreational purposes, and any park.

(e) The Federal contribution for grants made under this section shall not exceed 100 per centum of the net cost of repairing, restoring, reconstructing, or replacing any such facility on the basis of the design of such facility as it existed immediately prior to such disaster and in conformity with current applicable codes, specifications, and standards.

(f) In those cases where a State or local government determines that public welfare would not be best served by repairing, restoring, reconstructing, or replacing particular public facilities owned or controlled by that State or that local government which have been damaged or destroyed in a major disaster, it may elect to receive, in lieu of the contribution described in subsection (e) of this section, a contribution based on 90 per centum of the Federal estimate of the total cost of repairing, restoring, reconstructing, or replacing all damaged facilities owned by it within its jurisdiction. The cost of repairing, restoring, reconstructing, or replacing damaged or destroyed public facilities shall be estimated on the basis of the design of each such facility as it existed immediately prior to such disaster and in conformity with current applicable codes, specifications and standards. Funds contributed under this subsection may be expended either to repair or restore certain selected damaged public facilities or to construct new public facilities which the State or local government determines to be necessary to meet its needs for governmental services and functions in the disaster-affected area.

DEBRIS REMOVAL

SEC. 403. (a) The President, whenever he determines it to be in the public interest, is authorized—

(1) through the use of Federal departments, agencies, and instrumentalities, to clear debris and wreckage resulting from a major disaster from publicly and privately owned lands and water; and

(2) to make grants to any State or local government for the purpose of removing debris or wreckage resulting from a major disaster from publicly or privately owned lands and waters.

(b) No authority under this section shall be exercised unless the affected State or local government shall first arrange an unconditional authorization for removal of such debris or wreckage from public and private property, and, in the case of removal of debris or wreckage from private property, shall first agree to indemnify the Federal Government against any claim arising from such removal.

TEMPORARY HOUSING ASSISTANCE

SEC. 404. (a) The President is authorized to provide, either by purchase or lease, temporary housing, including, but not limited to, unoccupied habitable dwellings, suitable rental housing, mobile homes or other readily fabricated dwellings for those who, as a result of a major disaster, require temporary housing. During the first twelve months of occupancy no rentals shall be established for any such accommodations, and thereafter rentals shall be established, based upon fair market value of the accommodations being furnished, adjusted to take into consideration the financial ability of the occupant. Any mobile home or readily fabricated dwelling shall be placed on a site complete with utilities provided either by the State or local government, or by the owner or occupant of the site who was displaced by the major disaster, without charge to the United States. The President may authorize installation of essential utilities at Federal expense and he may elect to provide other more economical or accessible sites when he determines such action to be in the public interest.

(b) The President is authorized to provide assistance on a temporary basis in the form of mortgage or rental payments to or on behalf of individuals and families who, as a result of financial hardship caused by a major disaster, have received written notice of dispossession or eviction from a residence by reason of foreclosure of any mortgage or lien, cancellation of any contract of sale, or termination of any lease, entered into prior to such disaster. Such assistance shall be provided for a period of not to exceed one year or for the duration of the period of financial hardship, whichever is the lesser.

(c) In lieu of providing other types of temporary housing after a major disaster, the President is authorized to make expenditures for the purpose of repairing or restoring to a habitable condition owner-occupied private residential structures made uninhabitable by a major disaster which are capable of being restored quickly to a habitable condition with minimal repairs. No assistance provided under this section may be used for major reconstruction or rehabilitation of damaged property.

(d) (1) Notwithstanding any other provision of law, any temporary housing acquired by purchase may be sold directly to individuals and families who are occupants of temporary housing at prices that are fair and equitable, as determined by the President.

(2) The President may sell or otherwise make available temporary housing units directly to States, other governmental entities, and voluntary organizations. The President shall impose as a condition of transfer under this paragraph a covenant to comply with the provisions of section 311 of this Act requiring nondiscrimination in occupancy of such temporary housing units. Such disposition shall be limited to units purchased under the provisions of subsection (a) of this section and to the purposes of providing temporary housing for disaster victims in emergencies or in major disasters.

PROTECTION OF ENVIRONMENT

SEC. 405. No action taken or assistance provided pursuant to sections 305, 306, or 403 of this Act, or any assistance provided pursuant to section 402 or 419 of this Act that has the effect of restoring facilities substantially as they existed prior to the disaster, shall be deemed a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act of 1969 (83 Stat. 852). Nothing in this section shall alter or affect the applicability of the National Environmental Policy Act of 1969 (83 Stat. 852) to other Federal actions taken under this Act or under any other provision of law.

MINIMUM STANDARDS FOR PUBLIC AND PRIVATE STRUCTURES

SEC. 406. As a condition of any disaster loan or grant made under the provisions of this Act, the recipient shall agree that any repair or construction to be financed therewith shall be in accordance with applicable standards of safety, decency, and sanitation and in conformity with applicable codes, specifications, and standards, and shall furnish such evidence of compliance with this section as may be required by regulation. As a further condition of any loan or grant made under the provisions of this Act, the State or local government shall agree that the natural hazards in the areas in which the proceeds of the grants or loans are to be used shall be evaluated and appropriate action shall be taken to mitigate such hazards, including safe land-use and construction practices, in accordance with standards prescribed or approved by the President after adequate consultation with the appropriate elected officials of general purpose local governments, and the State shall furnish such evidence of compliance with this section as may be required by regulation.

UNEMPLOYMENT ASSISTANCE

SEC. 407. (a) The President is authorized to provide to any individual unemployed as a result of a major disaster such benefit assistance as he deems appropriate while such individual is unemployed. Such assistance as the President shall provide shall be available to an individual as long as the individual's unemployment caused by the major disaster continues or until the individual is reemployed in a suitable position, but no longer than one year after the major disaster is declared. Such assistance for a week of unemployment shall not exceed the maximum weekly amount authorized under the unemployment compensation law of the State in which the disaster occurred, and the amount of assistance under this section to any such individual for a week of unemployment shall be reduced by any amount of unemployment compensation or of private income protection insurance compensation available to such individual for such week of unemployment. The President is directed to provide such assistance through agreements with States which, in his judgment, have an adequate system for administering such assistance through existing State agencies.

(b) The President is further authorized for the purposes of this Act to provide reemployment assistance services under other laws to individuals who are unemployed as a result of a major disaster.

INDIVIDUAL AND FAMILY GRANT PROGRAMS

SEC. 408. (a) The President is authorized to make a grant to a State for the purpose of such State making grants to meet disaster-related necessary expenses or serious needs of individuals or families adversely affected by a major disaster in those cases where such individuals or families are unable to meet such expenses or needs through assistance under other provisions of this Act, or from other means. The Governor of a State shall administer the grant program authorized by this section.

(b) The Federal share of a grant to an individual or a family under this section shall be equal to 75 per centum of the actual cost of meeting such an expense or need and shall be made only on condition that the remaining 25 per centum of such cost is paid to such individual or family from funds made available by a State. Where a State is unable immediately to pay its share, the President is authorized to advance to such State such 25 per centum share, and any such advance is to be repaid to the United States when such State is able to do so. No individual and

no family shall receive any grant or grants under this section aggregating more than $5,000 with respect to any one major disaster.

(c) The President shall promulgate regulations to carry out this section and such regulations shall include national criteria, standards, and procedures for the determination of eligibility for grants and the administration of grants made under this section.

(d) A State may expend not to exceed 3 per centum of any grant made by the President to it under subsection (a) of this section for expenses of administering grants to individuals and families under this section.

(e) Ths section shall take effect as of April 20, 1973.

FOOD COUPONS AND DISTRIBUTION

SEC. 409. (a) Whenever the President determines that, as a result of a major disaster, low-income households are unable to purchase adequate amounts of nutritious food, he is authorized, under such terms and conditions as he may prescribe, to distribute through the Secretary of Agriculture or other appropriate agencies coupon allotments to such households pursuant to the provisions of the Food Stamp Act of 1964 (P.L. 91–671; 84 Stat. 2048) and to make surplus commodities available pursuant to the provisions of this Act.

(b) The President, through the Secretary of Agriculture or other appropriate agencies, is authorized to continue to make such coupon allotments and surplus commodities available to such households for so long as he determines necessary, taking into consideration such factors as he deems appropriate, including the consequences of the major disaster on the earning power of the households, to which assistance is made available under this section.

(c) Nothing in this section shall be construed as amending or otherwise changing the provisions of the Food Stamp Act of 1964 except as they relate to the availability of food stamps in an area affected by a major disaster.

FOOD COMMODITIES

SEC. 410. (a) The President is authorized and directed to assure that adequate stocks of food will be ready and conveniently available for emergency mass feeding or distribution in any area of the United States which suffers a major disaster or emergency.

(b) The Secretary of Agriculture shall utilize funds appropriated under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), to purchase food commodities necessary to provide adequate supplies for use in any area of the United States in the event of a major disaster or emergency in such area.

RELOCATION ASSISTANCE

SEC. 411. Notwithstanding any other provision of law, no person otherwise eligible for any kind of replacement housing payment under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91–646) shall be denied such eligibility as a result of his being unable, because of a major disaster as determined by the President, to meet the occupancy requirements set by such Act.

LEGAL SERVICES

SEC. 412. Whenever the President determines that low-income individuals are unable to secure legal services adequate to meet their needs as a consequence of a major disaster, consistent with the goals of the programs authorized by this Act, the President shall assure that such programs are conducted with the advice and assistance of appropriate Federal agencies and State and local bar associations.

CRISIS COUNSELING ASSISTANCE AND TRAINING

SEC. 413. The President is authorized (through the National Institute of Mental Health) to provide professional counseling services, including financial assistance to State or local agencies or private mental health organizations to provide such services or training of disaster workers, to victims of major disasters in order to relieve mental health problems caused or aggravated by such major disaster or its aftermath.

COMMUNITY DISASTER LOANS

SEC. 414. (a) The President is authorized to make loans to any local government which may suffer a substantial loss of tax and other revenues as a result of a major disaster, and has demonstrated a need for financial assistance in order to perform its governmental functions. The amount of any such loan shall be based on need, and shall not exceed 25 per centum of the annual operating budget of that local government for the fiscal year in which the major disaster occurs. Repayment of all or any part of such loan to the extent that revenues of the local government during the three full fiscal year period following the major disaster are insufficient to meet the operating budget of the local government, including additional disaster-related expenses of a municipal operation character shall be cancelled.

(b) Any loans made under this section shall not reduce or otherwise affect any grants or other assistance under this Act.

(c)(1) Subtitle C of title I of the State and Local Fiscal Assistance Act of 1972 (P.L. 92–512; 86 Stat. 919) is amended by adding at the end thereof the following new section:

"Sec. 145. Entitlement Factors Affected by Major Disasters

"In the administration of this title the Secretary shall disregard any change in data used in determining the entitlement of a State government or a unit of local government for a period of 60 months if that change—

"(1) results from a major disaster determined by the President under section 301 of the Disaster Relief Act of 1974, and

"(2) reduces the amount of the entitlement of that State government or unit of local government.".

(2) The amendment made by this section takes effect on April 1, 1974.

EMERGENCY COMMUNICATIONS

SEC. 415. The President is authorized during, or in anticipation of, an emergency or major disaster to establish temporary communications systems and to make such communications available to State and local government officials and other persons as he deems appropriate.

EMERGENCY PUBLIC TRANSPORTATION

SEC. 416. The President is authorized to provide temporary public transportation service in an area affected by a major disaster to meet emergency needs and to provide transportation to governmental offices, supply centers, stores, post offices, schools, major employment centers, and such other places as may be necessary in order to enable the community to resume its normal pattern of life as soon as possible.

FIRE SUPPRESSION GRANTS

SEC. 417. The President is authorized to provide assistance, including grants, equipment, supplies, and personnel, to any State for the suppression of any fire on publicly or privately owned forest or grassland which threatens such destruction as would constitute a major disaster.

TIMBER SALE CONTRACTS

SEC. 418. (a) Where an existing timber sale contract between the Secretary of Agriculture or the Secretary of the Interior and a timber purchaser does not provide relief from major physical change not due to negligence of the purchaser prior to approval of construction of any section of specified road or of any other specified development facility and, as a result of a major disaster, a major physical change results in additional construction work in connection with such road or facility by such purchaser with an estimated cost, as determined by the appropriate Secretary, (1) of more than $1,000 for sales under one million board feet, (2) of more than $1 per thousand board feet for sales of one to three million board feet, or (3) of more than $3,000 for sales over three million board feet, such increased construction cost shall be borne by the United States.

(b) If the appropriate Secretary determines that damages are so great that restoration, reconstruction, or construction is not practical under the cost-sharing arrangement authorized by subsection (a) of this section, he may allow cancellation of a contract entered into by his Department notwithstanding contrary provisions therein.

(c) The Secretary of Agriculture is authorized to reduce to seven days the minimum period of advance public notice required by the first section of the Act of June 4, 1897 (16 U.S.C. 476), in connection with the sale of timber from national forests, whenever the Secretary determines that (1) the sale of such timber will assist in the construction of any area of a State damaged by a major disaster, (2) the sale of such timber will assist in sustaining the economy of such area, or (3) the sale of such timber is necessary to salvage the value of timber damaged in such major disaster or to protect undamaged timber.

(d) The President, when he determines it to be in the public interest, is authorized to make grants to any State or local government for the purpose of removing from privately owned lands timber damaged as a result of a major disaster, and such State or local government is authorized upon application, to make payments out of such grants to any person for reimbursement of expenses actually incurred by such person in the removal of damaged timber, not to exceed the amount that such expenses exceed the salvage value of such timber.

IN-LIEU CONTRIBUTION

SEC. 419. In any case in which the Federal estimate of the total cost of (1) repairing, restoring, reconstructing, or replacing, under section 402, all damaged or destroyed public facilities owned by a State or local government within its jurisdiction, and (2) emergency assistance under section 306 and debris removal under section 403, is less than $25,000, then on application of a State or local government, the President is authorized to make a contribution to such State or local government under the provisions of this section in lieu of any contribution to such State or local government under section 306, 402, or 403. Such contribution shall be based on 100 per centum of such total estimated cost, which may be expended either to repair, restore, reconstruct, or replace all such damaged or destroyed public facilities, to repair, restore, reconstruct, or replace certain selected damaged or destroyed public facilities, to construct new public facilities which the State or local government determines to be necessary to meet its needs for governmental services and functions in the disaster-affected area, or to undertake disaster work as authorized in section 306 or 403. The cost of repairing, restoring, reconstructing, or replacing damaged or destroyed public facilities shall be estimated on the basis of the design of each such facility as it existed immediately prior to such disaster and in conformity with current applicable codes, specifications and standards.

TITLE V—ECONOMIC RECOVERY FOR DISASTER AREAS

AMENDMENT TO PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

SEC. 501. The Public Works and Economic Development Act of 1965, as amended, is

amended by adding at the end thereof the following new title:

"TITLE VIII—ECONOMIC RECOVERY FOR DISASTER AREAS

"PURPOSE OF TITLE

"SEC. 801. (a) It is the purpose of this title to provide assistance for the economic recovery, after the period of emergency aid and replacement of essential facilities and services, of any major disaster area which has suffered a dislocation of its economy of sufficient severity to require (1) assistance in planning for development to replace that lost in the major disaster; (2) continued coordination of assistance available under Federal-aid programs; and (3) continued assistance toward the restoration of the employment base.

"(b) As used in this title, the term 'major disaster' means a major disaster declared by the President in accordance with the Disaster Relief Act of 1974.

"DISASTER RECOVERY PLANNING

"SEC. 802. (a)(1) In the case of any area affected by a major disaster the Governor may request the President for assistance under this title. The Governor, within thirty days after authorization of such assistance by the President, shall designate a Recovery Planning Council for such area or for each part thereof.

"(2) Such Recovery Planning Council shall be composed of not less than five members, a majority of whom shall be local elected officials of political subdivisions within the affected areas, at least one representative of the State, and a representative of the Federal Government appointed by the President in accordance with paragraph (3) of this subsection. During the major disaster, the Federal coordinating officer shall also serve on the Recovery Planning Council.

"(3) The Federal representative on such Recovery Planning Council may be the Chairman of the Federal Regional Council for the affected area, or a member of the Federal Regional Council designated by the Chairman of such Regional Council. The Federal representative on such Recovery Planning Council may be the Federal Cochairman of the Regional Commission established pursuant to title V of this Act, or the Appalachian Regional Development Act of 1965, or his designee, where all of the area affected by a major disaster is within the boundaries of such Commission.

"(4) The Governor may designate an existing multijurisdictional organization as the Recovery Planning Council where such organization complies with paragraph (2) of this subsection with the addition of State and Federal representatives except that if all or part of an area affected by a major disaster is within the jurisdiction of an existing mutlijurisdictional organization established under title IV of this Act or title III of the Appalachian Regional Development Act of 1965, such organization, with the addition of State and Federal representatives in accordance with paragraph (2) of this subsection, shall be designated by the Governor as the Recovery Planning Council. In any case in which such title III or IV organization is designated as the Recovery Planning Council under this paragraph, some local elected officials of political subdivisions within the affected areas must be appointed to serve on such Recovery Planning Council. Where possible, the organization designated as the Recovery Planning Council shall be or shall be subsequently designated as the appropriate agency required by section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3334) and by the Intergovernmental Cooperation Act of 1968 (P.L. 90-577; 82 Stat. 1098).

"(5) The Recovery Planning Council shall include private citizens as members to the extent feasible, and shall provide for and encourage public participation in its deliberations and decisions.

"(b) The Recovery Planning Council (1) shall review existing plans for the affected area; and (2) may recommend to the Governor and responsible local governments such revisions as it determines necessary for the economic recovery of the area, including the development of new plans and the preparation of a recovery investment plan for the 5-year period following the declaration of the major disaster. The Recovery Planning Council shall accept as one element of the recovery investment plan determinations made under section 402(f) of the Disaster Relief Act of 1974.

"(c)(1) A recovery investment plan prepared by a Recovery Planning Council may recommend the revision, deletion, reprograming, or additional approval of Federal-aid projects and programs within the area—

"(A) for which application has been made but approval not yet granted;

"(B) for which funds have been obligated or approval granted but construction not yet begun;

"(C) for which funds have been or are scheduled to be apportioned within the five years after the declaration of the disaster;

"(D) which may otherwise be available to the area under any State schedule or revised State schedule of priorities; or

"(E) which may reasonably be anticipated as becoming available under existing programs.

"(2) Upon the recommendation of the Recovery Planning Council and the request of the Governor, any funds for projects or programs identified pursuant to paragraph (1) of this subsection may, to any extent consistent with appropriation Acts, be placed in reserve by the responsible Federal agency for use in accordance with such recommendations. Upon the request of the Governor and with the concurrence of affected local governments, such funds may be transferred to the Recovery Planning Council to be expended in the implementation of the recovery investment plan, except that no such transfer may be made unless such expenditure is for a project or program for which such funds originally were made available by an appropriation Act.

"PUBLIC WORKS AND DEVELOPMENT FACILITIES GRANTS AND LOANS

"SEC. 803. (a) The President is authorized to provide funds to any Recovery Planning Council for the implementation of a recovery investment plan by public bodies. Such funds may be used—

"(1) to make loans for the acquisition or development of land and improvements for public works, public service, or development facility usage, including the acquisition or development of parks or open spaces, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, and

"(2) to make supplementary grants to increase the Federal share for projects for which funds are reserved pursuant to subsection (c)(2) of section 802 of this Act, or other Federal-aid projects in the affected area.

"(b) Grants and loans under this section may be made to any State, local government, or private or public nonprofit organization representing any area or part thereof affected by a major disaster.

"(c) No supplementary grant shall increase the Federal share of the cost of any project to greater than 90 per centum, except in the case of a grant for the benefit of Indians or Alaska Natives, or in the case of any State or local government which the President determines has exhausted its effective taxing and borrowing capacity.

"(d) Loans under this section shall bear interest at a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less 1 per centum per annum.

"(e) Financial assistance under this title shall not be extended to assist establishments relocating from one area to another or to assist subcontractors whose purpose is or local government which the President dependent upon divesting, other contractors, or subcontractors, of contracts theretofore customarily performed by them. Such limitations shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary of Commerce finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment of the area of original location, or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

"LOAN GUARANTEES

"SEC. 804. The President is authorized to provide funds to Recovery Planning Councils to guarantee loans made to private borrowers by private lending institutions (1) to aid in financing any project within an area affected by a major disaster for the purchase or development of land and facilities (including machinery and equipment) for industrial or commercial usage including the construction of new buildings, and rehabilitation of abandoned or unoccupied buildings, and the alteration, conversion, or enlargement of existing buildings; and (2) for working capital in connection with projects in areas assisted under paragraph (1), upon application of such institution and upon such terms and conditions as the President may prescribe. No such guarantee shall at any time exceed 90 per centum of the amount of the outstanding unpaid balance of such loan.

"TECHNICAL ASSISTANCE

"SEC. 805. (a) In carrying out the purposes of this title the President is authorized to provide technical assistance which would be useful in facilitating economic recovery in areas affected by major disasters. Such assistance shall include project planning and feasibility studies, management and operational assistance, and studies evaluating the needs of, and developing potentialities for, economic recovery of such areas. Such assistance may be provided by the President directly, through the payment of funds authorized for this title to other departments or agencies of the Federal Government, through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations.

"(b) The President is authorized to make grants to defray not to exceed 75 per centum of the administrative expenses of Recovery Planning Councils designated pursuant to section 802 of this Act. In determining the amount of the non-Federal share of such costs or expenses, the President shall give due consideration to all contributions both in cash and in kind, fairly evaluated, includ-

ing but not limited to space, equipment, and services. Where practicable, grants-in-aid authorized under this subsection shall be used in conjunction with other available planning grants, to assure adequate and effective planning and economical use of funds.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 806. There is authorized to be appropriated not to exceed $250,000,000 to carry out this title.".

TITLE VI—MISCELLANEOUS

AUTHORITY TO PRESCRIBE RULES

SEC. 601. The President may prescribe such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act, and he may exercise any power or authority conferred on him by any section of this Act either directly or through such Federal agency or agencies as he may designate.

TECHNICAL AMENDMENTS

SEC. 602. (a) Section 701(a)(3)(B)(ii) of the Housing Act of 1954 (40 U.S.C. 461(a)(3)(B)(ii) is amended to read as follows: "(ii) have suffered substantial damage as a result of a major disaster as declared by the President pursuant to the Disaster Relief Act of 1974;".

(b) Section 8(b)(2) of the National Housing Act (12 U.S.C. 1706c(b)(2)) is amended by striking out of the last proviso "section 102(1) of the Disaster Relief Act of 1970" and inserting in lieu thereof "sections 102(2) and 301 of the Disaster Relief Act of 1974".

(c) Section 203(h) of the National Housing Act (12 U.S.C. 1709(h)) is amended by striking out "section 102(1) of the Disaster Relief Act of 1970" and inserting in lieu thereof "sections 102(2) and 301 of the Disaster Relief Act of 1974".

(d) Section 221(f) of the National Housing Act (12 U.S.C. 17151(f)) is amended by striking out of the last paragraph "the Disaster Relief Act of 1970" and inserting in lieu thereof "the Disaster Relief Act of 1974".

(e) Section 7(a)(1)(A) of the Act of September 30, 1950 (Public Law 874, Eighty-first Congress, as amended; 20 U.S.C. 241–(a)(1)(A)), is amended by striking out "pursuant to section 102(1) of the Disaster Relief Act of 1970" and inserting in lieu thereof "pursuant to sections 102(2) and 301 of the Disaster Relief Act of 1974".

(f) Section 16(a) of the Act of September 23, 1950 (79 Stat. 1158; 20 U.S.C. 646(a)) is amended by striking out "section 102(1) of the Disaster Relief Act of 1970" and inserting in lieu thereof "sections 102(2) and 301 of the Disaster Relief Act of 1974".

(g) Section 408(a) of the Higher Education Facilities Act of 1963 (20 U.S.C. 758(a)) is amended by striking out "section 102(1) of the Disaster Relief Act of 1970" and inserting in lieu thereof "sections 102(2) and 301 of the Disaster Relief Act of 1974".

(h) Section 165(h) of the Internal Revenue Code of 1954, relating to disaster losses (26 U.S.C. 165(h)) is amended by striking out "1970" and inserting in lieu thereof "1974".

(i) Section 5064(a) of the Internal Revenue Code of 1954 (26 U.S.C. 5064(a)), relating to losses caused by disaster, is amended by striking out "the Disaster Relief Act of 1970" and inserting in lieu thereof "the Disaster Relief Act of 1974".

(j) Section 5708(a) of the Internal Revenue Code of 1954 (26 U.S.C. 5708(a)), relating to losses caused by disaster, is amended by striking out "the Disaster Relief Act of 1970" and inserting in lieu thereof "the Disaster Relief Act of 1974".

(k) Section 3 of the Act of June 30, 1954 (68 Stat. 330, as amended by 82 Stat. 1213; 48 U.S.C. 1681 nt.), is amended by striking out of the last sentence "section 102(1) of the Disaster Relief Act of 1970" and inserting in lieu thereof "sections 102(2) and 301 of the Disaster Relief Act of 1974".

(l) Section 1820(f) of title 38, United States Code, is amended by striking "the Disaster Assistance Act of 1970" and inserting in lieu thereof "the Disaster Relief Act of 1974".

(m) Whenever reference is made in any provision of law (other than this Act), regulation, rule, record, or document of the United States to provisions of the Disaster Relief Act of 1970 (84 Stat. 1744), repealed by this Act such reference shall be deemed to be a reference to the appropriate provision of this Act.

REPEAL OF EXISTING LAW

SEC. 603. The Disaster Relief Act of 1970, as amended (84 Stat. 1744), is hereby repealed, except sections 231, 233, 234, 235, 236, 237, 301, 302, 303, and 304. Notwithstanding such repeal the provisions of the Disaster Relief Act of 1970 shall continue in effect with respect to any major disaster declared prior to the enactment of this Act.

PRIOR ALLOCATION OF FUNDS

SEC. 604. Funds heretofore appropriated and available under Public Laws 91–606, as amended, and 92–385 shall continue to be available for the purpose of providing assistance under those Acts as well as for the purposes of this Act.

EFFECTIVE DATE

SEC. 605. Except for section 408, this Act shall take effect as of April 1, 1974.

AUTHORIZATION OF APPROPRIATIONS

SEC. 606. Except as provided by the amendment made by section 501, there are authorized to be appropriated to the President such sums as may be necessary to carry out this Act through the close of June 30, 1977.

And the House agree to the same.

QUENTIN BURDICK,
DICK CLARK,
J. R. BIDEN,
JENNINGS RANDOLPH,
PETE V. DOMENICI,
JAMES BUCKLEY,
HOWARD BAKER,
Managers on the Part of the Senate.

ROBERT E. JONES,
RAY ROBERTS,
HAROLD T. JOHNSON,
WM. H. HARSHA,
GENE SNYDER,
Managers on the Part of the House.

Mr. BURDICK. Mr. President, I am pleased to submit to the Senate the report and the joint explanatory statement of the committee of conference on S. 3062, the Disaster Relief Act of 1974. The differences in the Senate and House versions of the bill have been resolved by the conferees and I ask unanimous consent for its immediate consideration.

On April 10 the Senate passed S. 3062 without amendment in the form reported by the Committee on Public Works. The following day the House of Representatives, lacking time to study the Senate bill thoroughly before recessing that night, passed only one section of S. 3062, section 408, in a modified form as a substitute.

During the congressional recess staff members of both Senate and House committees met several times to review the provisions of S. 3062. On Thursday, April 25, after careful consideration of all questions raised during a lengthy session, the conference committee agreed to the report which is now being submitted.

A large portion of the bill was approved by the conferees without any change in the Senate-passed version. About 30 of the approximate 50 sections in the conference report are identical with those in the Senate version of S. 3062, and comparatively minor changes in language are proposed in another dozen or so sections. While significant substantive modifications recommended by the committee appear in only seven or eight sections of the bill, it is my purpose today to explain these briefly and to note a few other changes of lesser importance.

FARM FENCING (SECTION 302)

A new subsection (c) has been added to section 302 authorizing payment under the emergency conservation program for the repair, restoration, reconstruction, or replacement of farm fencing damaged or destroyed by a major disaster. This recommendation is in line with the long-time authority of the Department of Agriculture to make 80 percent Federal cost-sharing payments to farmers for rehabilitation of farmlands damaged by natural disasters. On March 12, 1974, an administrative order eliminated payments for farm fencing damaged or destroyed in disasters, so that the extensive loss of farm fence caused by widespread tornadoes in the first week of April are not now eligible for such payments.

Remedial action on this matter was requested by the Senate Committee on Agriculture and the conference substitute was fully endorsed by all conferees. As pointed out in the report, the conferees believe that replacement of fencing is essential in order to return disaster-damaged farmland to productive agriculture use. In addition, the conferees are strongly urging the Department of Agriculture to coordinate its disaster debris clearance activities with those of the Federal Disaster Assistance Administration.

INSURANCE (SECTION 314)

At the request of the House conferees, the Senate members agreed to a substitute for section 314 which will limit to public facilities application of the requirement that insurance protection must be acquired for property damaged in a major disaster for which Federal assistance has been provided. As adopted by the Senate this section originally stipulated that applicants for assistance under the Disaster Relief Act would have to obtain any reasonably available, adequate and necessary insurance to protect against future losses any property which had been repaired or reconstructed with Federal help. The bill also provided that any property for which such disaster aid has been made available would not be eligible for future disaster assistance unless the required insurance had been obtained and maintained.

The effect of the new substitute is to prohibit any requirement under this act for the purchase of insurance for property owned by private individuals, including homes and businesses. Publicly owned facilities, however, must meet this insurance requirement. The conferees retained the provision in the Senate bill authorizing a State to act as a self-insurer with respect to its own facilities, but clarified this section to make sure that the State's self-insurance plan is satisfactory to the President.

REPAIR AND RESTORATION OF DAMAGED FACILITIES (SECTION 402)

Three changes were made in section 402 providing Federal assistance for the repair and restoration of damaged fa-

cilities. Subsection (g), which authorizes block grants to jurisdictions having public facility damage totaling no more than $25,000, was deleted and shifted to a new expanded section 419 entitled "In-Lieu Contribution."

The Senate-passed bill restricted block grants of this type to those situations in which total estimated disaster damage to public facilities did not exceed $25,000. The conference substitute broadened this to include the cost of emergency assistance under section 306 and of debris removal in section 403 in addition to expenditures for public facilities under section 402.

The purpose of this approach is to help reduce the number of separate applications for disaster assistance and to eliminate costly oversight, review, and auditing of many smaller individual projects. The new section permits greater flexibility in the management of repair work and debris clearance where the total loss is comparatively small and should reduce burdensome recordkeeping and auditing. By including emergency assistance rendered under section 306 in section 419, however, it should be emphasized that there is no intention to reduce Federal aid which would be otherwise provided under section 306.

A minor change in language was inserted in section 402 also to make clear that, under the 90-percent alternative option, the estimate of cost for repair or replacement of damaged public facilities will be made by the Federal Government. Also, the definition of "public facility" in section 402 was revised slightly to make sure that a public park would be unquestionably within its meaning.

DISASTER EXPENSE GRANTS (SECTION 498)

As noted earlier, the only provision of S. 3062 passed by the House of Representatives was section 408, authorizing grants to States to be used for disaster expense payments to persons adversely affected by a major disaster. Although based largely on the Senate bill, the House version differed in two important respects. First, it proposed that a 25 percent matching share must be paid from funds made available by either a State or a political subdivision of a State, whereas the Senate bill merely authorized a grant of 75 percent to States for this purpose without specifically requiring a matching grant. Second, if a State or political subdivision is unable to pay its share immediately, the House bill authorized the President to advance the 25 percent matching funds with repayment to be made to the United States later when the State or political subdivision is able to do so.

The Senate conferees agreed to the language mandating a matching payment of 25 percent but insisted on eliminating specific mention of a "political subdivision" as an alternative source for these funds. The conference substitute, by omitting reference to a political subdivision in this context, indicates that the Federal Government should negotiate directly and exclusively with the States for this purpose. However, it is not intended to preclude voluntary contributions or other arrangements whereby local governments may assist States in furnishing the 25 matching share for disaster expense grants.

The Senate concurred in the proviso authorizing the President to advance the 25 percent State matching share in those cases where the latter is unable to provide those funds immediately. This should help avoid delays in implementing the program in States suffering major disasters before legislative appropriations have been made for this purpose.

The conference substitute also provides that section 408 will be effective as of April 20, 1973, rather than April 1, 1974, which is the effective date of the rest of the bill. Although neither the House nor the Senate version of S. 3062 contained this retroactive feature, an amendment designed to achieve this same goal was tabled by a narrow vote, 49–40, in the Senate on April 10. Moreover, in the debate during House passage strong sentiment was expressed in favor of making this section applicable on the earlier date and promises were exacted that serious efforts would be made to secure conference agreement on retroactivity.

The argument in favor of applying section 402 to all major disasters which have occurred since April 20, 1973, is that otherwise the new bill would create a gap of nearly a year during which disaster victims would have received inequitable treatment. With the enactment after Hurricane Agnes of Public Law 92–385 on August 16, 1972, Congress lowered the interest rate on SBA and FHA disaster loans to 1 percent and doubled the amount of forgiveness or cancellation on these loans to $5,000. Although these features were not scheduled to expire until July 1, 1973, an act (P.L. 93–24) raising interest rates on SBA and FHA disaster loans to 5 percent, and eliminating the forgiveness or cancellation feature was approved the preceding April 20.

Although the personal grant authorization for disaster-related expenses in section 408 of S. 3062 is not intended to be a replacement for the forgiveness feature of SBA and FHA disaster loans, it nevertheless recognizes and attempts to fulfill needs which in some cases may be very similar. After thorough consideration the conferees agreed that justice might best be served by making benefits under section 408 available to the extent possible to all eligible persons subjected to major disasters since April 20, 1973.

Because of difficulties in evaluating individual disaster-related expenses or needs and in administering the program many months after a disaster has occurred, Senate conferees were reluctant to concur in this determination. In recommending this action the conferees realize that its effectiveness will be limited by the ability and the willingness of the States to participate fully and by the alleviation of financial burdens with the passage of time.

Nevertheless, on balance, it is believed that the conference substitute will provide an opportunity to assist through personal grants the needs of a number of disaster victims who otherwise would not be entitled to benefits comparable to those received by other citizens earlier or under the new bill as passed by the Senate.

LEGAL SERVICES (SECTION 412)

Although the Disaster Relief Act of 1970 appeared to provide assistance in section 239 for low-income individuals unable to secure legal services adequate to meet needs caused by a disaster, its effect has been relatively unimportant. The language of section 239 merely authorized the Director of the Office of Emergency Preparedness to "assure that such programs are conducted with the advice and assistance of appropriate Federal agencies and State and local bar associations" without specifically guaranteeing that such services would be provided.

As a result of requests made by witnesses during hearings held by the Senate Subcommittee on Disaster Relief, the Senate bill strengthened the language of this section by directing the President to assure that "such legal services as may be needed" by low-income individuals would be made available. The Senate bill also stated that, "whenever feasible," such programs would be conducted with the advice and assistance of appropriate Federal agencies and State and local bar associations.

The House conferees protested strongly against the modifications proposed in the legal services program by the Senate bill and insisted on retaining the basic language of the 1970 act dealing with this matter. After prolonged debate the Senate conferees acceded to the House demands. The conference substitute for section 402 is identical with the language of section 239 of Public Law 91–606, except that the word "President" has been substituted for that of "Director" where the latter appears twice in the text.

COMMUNITY DISASTER LOANS (SECTION 414)

The community disaster loan program authorized by section 414 of the Senate bill is changed by the conference substitute in only one respect: language has been added to make mandatory rather than optional the cancellation of repayment of all or any part of any such loan to the extent that revenues of the local government receiving the loan are not sufficient to meet local operating budgets during the following 3 fiscal years.

This alteration is not contrary to the original purpose of section 414, which was to provide an immediate source of funds to disaster stricken communities in need, enabling them to maintain essential governmental services and to finance additional disaster-caused activities during a period of declining income. Although the Senate bill had merely authorized the President to cancel repayment where justified by loss of revenues, it was expected that cancellation would be carried out rather routinely in such cases. The new language thus will strengthen this intent and assure application of this practice on a regular basis.

The conferees agreed also, as is pointed out in the statement of managers, that as used in section 414 the meaning of word "revenues" is intended to include revenues from publicly owned utilities.

ECONOMIC RECOVERY FOR DISASTER AREA (TITLE V)

While retaining the basic purposes, authority, and administrative machinery proposed for economic recovery in major

disaster areas by title V of S. 3602, the conference substitute makes several changes worth noting.

A new subsection is added to the Public Works and Development Act of 1965 defining a major disaster for purposes of that act to be a major disaster declared by the President in accordance with the Disaster Relief Act of 1974. It is made clear also that the Governor may request the President for assistance under this title for any area in his State affected by a major disaster.

In those instances where a Governor designates an existing multijurisdictional organization to be the recovery planning council, additional language, has been inserted which assures that, if the area is within the jurisdiction of an existing multijurisdictional organization established under either the Public Works and Economic Development Act of 1965 or the Appalachian Regional Development Act of 1965, such latter organization will be designated as the recovery planning council. Furthermore, under these circumstances it is required that some local elected officials of political subdivisions within the affected disaster areas must be appointed to serve on the designated organization.

Significant qualifying language was added by the conference substitute to section 802(c), which authorizes the recovery planning council, the Governor and local governments under certain conditions to place in reserve and to transfer funds for various Federal-aid projects and programs. Phrases have been added to the Senate-passed bill stipulating that funds may be placed in reserve only to the extent permitted by and consistent with appropriation acts and that no such funds can be transferred to the recovery planning council for expenditure to implement a recovery investment plan unless that expenditure will be for a project or program for which such funds were originally made available by an appropriation act. Although these limitations will to some extent restrict the options available in carrying out locally developed recovery investment plans, the conferees agreed that constitutional and statutory procedures inherent in the appropriation process made them necessary.

Because of objections raised by House Members to the establishment in section 806 of a disaster recovery revolving fund of $200 million, this section and all references to the fund are deleted in the conference substitute. Instead, the Members agreed to finance economic recovery for major disaster areas through a $250,000,000 authorization and appropriation made by Congress.

OTHER CHANGES OF LESSER SIGNIFICANCE

The conferees are recommending a number of less significant changes throughout various sections of the bill.

The conference substitute provides that the short title by which this legislation may be cited is the Disaster Relief Act of 1974 rather than the Disaster Relief Act Amendments of 1974 as provided by the Senate bill.

The definition of emergency and of major disaster in section 102 is amended by inserting the word "mudslide" as an additional cause in the list of reasons for which the President may extend either emergency or major disaster assistance, and the phrase "or quasi-public entity" has been deleted from subsection (f) of that section.

The purposes for which a State may use the $250,000 Federal grant for the preparation of disaster plans is broadened in the conference substitute to include disaster prevention as well as disaster preparedness by adding the words "and prevention" at the end of the first sentence in section 201(c).

The words "threatened or imminent" appearing in subsections (c) and (d) of section 202 are deleted in the conference substitute as superfluous in the context of that section.

The requirement in section 302 of the Senate bill that all assistance rendered under the act must be provided pursuant to a Federal-State disaster agreement unless specifically waived by the President is not included in the conference substitute.

The conference substitute adds the word "property" to section 305, thus authorizing the President to provide assistance in an emergency for the protection of property in addition to saving lives and protecting health and safety. The conferees pointed out in the statement of managers that this change will make it clear that assistance can be provided to help protect livestock from disasters.

A new subsection (b) in section 306, added to the conference substitute, declares that any emergency work performed under that section does not preclude Federal assistance under any other provision of the Disaster Relief Act. This language is almost identical with section 203(b) of Public Law 91–606 which had been inadvertently eliminated in previous printings of the bill.

The authority conferred by section 309 of the Senate bill on any Federal agency to incur disaster relief obligations "when directed by the President without regard to the availability of funds" is modified by the conference substitute to incur obligations "in such amount as may be made available to it by the President." The latter phraseology is identical with that used previously in section 203(e) of Public Law 91–606.

The words "by the head of the appropriate Federal agency" are inserted by the conference substitute in section 313 which directs that priority should be given to applications for public facility and housing assistance in major disaster areas.

The provision in section 317(c) of the Senate bill making any person who wrongfully misapplies the proceeds of a disaster loan or cash benefit civilly liable to the Federal Government in an amount equal to 1½ times the original loan or benefit is changed in the conference substitute to constitute a criminal offense with a fine in the same amount.

The definition of "construction materials" in section 318 of the Senate bill is broadened in the conference substitute to include also materials used for the replacement of public facilities.

The authority of the President in section 406 to "prescribe" standards for the mitigation of natural hazards in areas where disaster loans or grants are to be used is broadened by the conference substitute to enable him also to "approve" standards for such purposes.

At the request of the Department of Labor, technical adjustments in the language of section 407, unemployment assistance, were made in the conference substitute. These changes do not modify the purposes, scope or authority of the Senate-passed bill.

A new section 419, entitled "In-Lieu Contribution", is added in the conference substitute to title IV of the Senate-passed bill. The contents of this new section were described previously in the discussion of section 402, repair and restoration of damaged facilities.

In conclusion, I think that some words of thanks are in order. First of all, I wish to thank the chairman of the Public Works Committee, Senator JENNINGS RANDOLPH, and the ranking minority committee member, Senator HOWARD BAKER, for their aid and counsel. S. 3062 would not be before the Senate today were it not for their efforts.

Also, I want to express my sincere appreciation to my good friend, Senator PETE DOMENICI. As ranking minority member of the Subcommittee on Disaster Relief he has been instrumental in the formation of the bill and, it is safe to say that, without his strong support, some of the more innovative features of this bill may have been lost.

Senators CLARK, BIDEN, and BUCKLEY should also be thanked and commended for their active participation in the subcommittee's deliberations and their staunch support during the conference.

Of course, we all know that bringing legislation of this nature to a successful conclusion requires the participation of the executive branch of Government. I want to state for the record that the subcommittee has received the full cooperation of the executive branch at each step in the legislative path. Secretary of Housing and Urban Development, James Lynn; the administrator of the Federal Disaster Assistance Administration, John Dunne; his deputy, Bill Crockett and many others have worked hard to help insure that the language of this bill not only sets forth legislative goals but is adequate to achieve those goals.

Finally, I want to express my personal thanks to Barry Meyer, Phil Cummings, Clark Norton, Bailey Guard, Judy Parente, Steve Swain, and all the staff of the Senate Public Works Committee for the long hours kept, for the short notices met, and for providing that quality of help which was vital to the formation of this legislation.

Mr. DOMENICI. Mr. President, I support adoption of the conference report on S. 3062, the Disaster Relief Act of 1974. The conference report is essentially the bill passed by the Senate on April 10 by a vote of 91 to 0. There were changes made by the House-Senate conferees—changes which, I believe, strengthen and improve upon several sections of the Senate bill. The only new provision added in conference relates to the repair and replacement on farm fencing after a major disaster.

Before I discuss specific sections of this conference report, I want to say a few words of appreciation to the Senator from North Dakota, (Mr. BURDICK). As chairman of the subcommittee, he con-

ducted a number of hearings throughout the country over the past year. His tireless work and these extensive hearings have contributed greatly toward the bill before us today.

Mr. President, I also want to say a special word of thanks and gratitude to the ranking Republican member on the full committee (Mr. BAKER), who played such a vital role in the careful, on-the-scene evaluation that our subcommittee made of the April tornadoes. His compassion and his leadership were vital to quick consideration and passage of this bill.

In addition, I want to thank the chairman of the full committee (Mr. RANDOLPH) and (Mr. BUCKLEY) for their wise and effective leadership in the development of this bill.

What we developed in the Senate was a comprehensive bill. The House was more modest in scope, authorizing individual and family grants similar to section 408 of S. 3062.

As was true with Public Law 91–606, this act provides a permanent program of disaster relief. I raise this point because section 606 has a date of 1977. This date is not an expiration date for the authorities under this act. It simply provides an authorization of appropriations for 3 years. I believe it proper to review the appropriation at that time.

The individual grant section agreed to by the conferees authorizes grants up to $5,000 to families and individuals adversely affected by a major disaster who are unable to meet disaster-related necessary expenses or serious needs with assistance under this act or by other means. This is the same purpose of the grants provided in the Senate bill. Changes were made in the funding procedures. This remains a Federal-State program with the Federal Government paying 75 percent of the cost. Under the conference agreement, however, the President is authorized to advance to a State the 25 percent non-Federal share of the grant if a State is unable to immediately pay its share and on the condition that such advance is repaid when the State is able to do so. This will facilitate implementation of the grant program in States which, for a variety of reasons, may not have funds immediately at hand.

In addition, the conference substitute makes clear that the Federal Government is to deal directly and solely with the States when making the advance and receiving repayment of such advances. As noted in the conference report, this is not intended to prevent local governments from participating in the grant program or from making voluntary contributions to the State. Rather, the new language makes it clear that the Federal Government is to deal directly with the States on this matter.

During consideration of the disaster bill in the Senate, Senator TAFT and others pointed out that States suffering recent disasters would have difficulty gearing up to implement a new program. Recognizing this problem, the conference report makes clear that Federal technical assistance and expertise is to be made available to assist States in their efforts to put the grant program into effect as smoothly and rapidly as possible. Responsibility for administering the program will remain with the States, but I believe that with technical assistance—and the advance payment—most will be able to undertake the program with a minimum of delay or difficulty.

Several Senators expressed their hope that this program could be implemented expeditiously in order to assist persons affected by the most recent disasters. I am pleased to report that FDAA has already begun on regulations so I do not foresee any undue delay.

The effective date of section 408 in the Senate bill was April 1, 1974; the date in the House bill was March 31, 1974. Under the conference substitute, section 408 was made retroactive to April 20, 1973. This was the date proposed in the Aiken-Dole amendment and coincides with implementation of Public Law 93–24 the law ending the disaster loan forgiveness program.

The Federal-State partnership established in this new program is one that should, I believe, exist in assisting citizens who are victims of natural disasters.

Another major initiative included in the conference report allows a more flexible approach in the replacement of public facilities. Under this section, the State and local government would be given the option of receiving a grant up to 90 percent of the estimated cost of replacement of all damaged public facilities within their jurisdictions or proceeding with the present system of one-to-one replacement with all the Federal redtape and auditing now required. I am convinced many communities will welcome the opportunity to assess their needs and future plans and with the flexibility of the grant replace a dated system with a new infrastructure better suited to current needs.

Section 402(g) of the Senate bill authorizes the President to make an in lieu contribution to a State or local government when the total Federal contribution for public facility replacement is $25,000 or less. I supported this section as a way to further reduce the burdensome paper work and costs required of smaller communities. In testimony before the subcommittee, the administration indicated that applications of this size—$25,000 or less—represent about 73 percent of all applications but only 10 percent of the total dollars approved.

This provision was retained, with some clarifying language, as section 419 of the conference report.

Another change made by the conference committee is in section 314, the insurance provisions. The conference substitute requires insurance coverage only for public and certain kinds of private facilities financed under sections 402 and 419 of this act and facilities constructed during long-range recovery under section 803 of the Public Works and Economic Development Act. The bill does not require the purchase of insurance by individuals.

Sections 409 and 410 of S. 3062, which are of immediate importance after disasters strike, remain unchanged in conference. These sections clearly set out Federal responsibilities in the areas of family food assistance and mass feeding of disaster victims. The survival of these sections insures our ability to meet the needs.

The only new provision in the conference report relates to replacement of farm fencing after a major disaster. Language was added to section 302 to assure that the replacement of permanent fences is an eligible practice under the emergency conservation program of the ASCS. Every member of the conference committee received a joint letter from Senators TALMADGE and CURTIS, the chairman and ranking Republican of the Senate Agriculture Committee, requesting language in the bill to reinstate the program which had been operative since 1958 but cancelled by administrative order on March 12, 1974.

I was pleased that the conferees agreed to retain the long range recovery program authorized in title V. This program is a new approach to aid communities devastated by a natural disaster and faced with the awesome task of rebuilding from the ground up. I consider the approach innovative and much needed. Too often long term recovery has taken place in an erratic, fragmented, and unplanned fashion, placing a heavy financial and administrative burden on communities when they can least shoulder it.

Title V builds upon existing structures and programs and provides a means to develop a unified recovery plan, set priorities and monitor implementation of recovery work. The program utilizes existing multijurisdictional organizations at the local level—groups knowledgeable about the area, and which will insure continuity during recovery. It provides for coordination of Federal programs coming into a disaster area or which could be used in rebuilding and authorizes $250 million for 3 years for loans and supplemental grants.

Mr. President, I want to acknowledge the contribution the administration has made to this legislation and the spirit of cooperation that has marked our work. Mr. James T. Lynn, Secretary of Housing and Urban Development, Mr. Thomas Dunne, Administrator of the Disaster Assistance Administration, and Mr. William E. Crockett, Deputy Administrator of FDAA, took personal interest in the legislation and met with members of the committee on several occasions. In fact, several provisions in the bill were taken from administration proposals and comments. I am glad the administration supports this legislation.

The bill represents the combined efforts of the subcommittee, the majority and minority staff working together, the full committee and the efforts of the administration to write a program more responsive to the needs of disaster victims. In my opinion we have reached that goal and I join with other members of the committee in urging the Senate to approve this conference report.

Mr. BAYH. Mr. President, once again I wish to compliment all those who have participated in developing this important legislation to strengthen our Federal program of disaster relief. On the occasion of Senate passage of S. 3062, on April 10, I described in detail the manner in which the major provisions of this

vital measure will assist the victims of the April 3 tornadoes based on my 12-hour helicopter tour of the damage throughout Indiana on April 5. Events since then underscore the need for speedy enactment and implementation of the important improvements in disaster relief authorized by S. 3062.

At this point I wish to briefly discuss certain conference report language of particular importance to the citizens of Monticello, Ind. Monticello is a town of some 5,000 people, the county seat of White County and the business center for an area exceeding 100 square miles. The April 3 tornado ripped through the entire business section of Monticello, destroying virtually every piece of commercial real estate in town.

Early this week, 1 month after the tornadoes, the Monticello fire chief advised me that 25 to 30 of the 105 businesses in town were still not operating because of the lack of temporary facilities to house them until the downtown business area can be rebuilt. As the principal author of the Disaster Relief Acts of 1966, 1969, and 1970, I believe it is the intent of Congress that the Federal Government should meet the interim needs of a community whose economy is so disrupted by a disaster that it cannot function on an immediate basis. I believe the Federal Disaster Assistance Administration should, during the period immediately following a disaster, take whatever steps are necessary to maintain the economic viability and integrity of communities that find themselves in a predicament such as that faced by Monticello.

I understand that, at the first of this week, Monticello's two hardware stores remained virtually out of operation. All three variety stores were closed, and of the two funeral homes in town one was closed and the other could operate on only a very limited basis. A town in such disarray cannot last very many weeks before its economy literally collapses. I therefore wish to draw the attention of my colleagues to the following report language:

> Assistance which may be provided under Section 306(a) may include the cost of transporting equipment and supplies including transportable buildings which may be available from federal agencies.

This report language is intended to insure that cities such as Monticello, faced with total economic collapse in the wake of a natural disaster, receive sufficiently comprehensive and prompt aid to keep them alive until they can be rebuilt. I wish to extend my deepest gratitude to the distinguished chairman of the Senate Public Works Committee, Senator RANDOLPH, and the extremely able chairman of the Disaster Relief Subcommittee, Senator BURDICK, and the members of those committees for including this language at my request. It is but another example of the spirit of cooperation which has marked the efforts of the Congress to assist disaster victims.

On April 10, when the Senate originally considered S. 3062, I also urged prompt action on my request for an additional $100 million to be appropriated for the President's disaster relief fund. Those additional funds were approved by the Senate on Tuesday, May 7. Now, with the approval of the conference report to S. 3062, I believe the Congress will have provided sorely needed assistance to the unfortunate victims of the April 3 tornadoes. We will have taken a significant step forward in enabling these proud hard-working citizens to rebuild their entire lives.

It is difficult to fully comprehend the severity of the damage caused in Indiana by the April 3 tornadoes unless you have been there. During my helicopter trip across the State we touched down at about a dozen communities. In Martinsburg, Kennard, and Monticello, I talked with people who feared that the communities in which they had lived all their lives would cease to exist. In Parker and Hanover I talked with students and teachers who have no school. In Fountaintown I met with residents who had no homes and whose volunteer fire department had been destroyed. In Madison, Jonesville, Rochester, and Atwood I talked with farmers and businessmen, laborers, and housewives, who needed reassurance that the task of rebuilding was possible.

S. 3062 utilizes additional resources of the Federal Government to help these victims tackle a tragic problem that would otherwise be insurmountable. This vital measure establishes a grant program providing up to $5,000 per family to meet the extraordinary needs of individual victims of the disaster. It extends to private nonprofit educational, emergency, medical, custodial care, and utility facilities the availability of repair and reconstruction grants currently provided to publicly owned institutions. It establishes a locally based comprehensive program to reconstruct devastated communities, and empowers the President to insure the availability and fair distribution of scarce building materials needed in major disaster areas. In sum, it provides additional and essential help to the victims of natural disasters as they tend to the task of helping themselves.

Once again, I wish to express my deepest personal gratitude, and that of citizens I represent, for the speed and understanding accorded this vital measure.

Mr. BAKER. Mr. President, I am glad the conference committee has reported S. 3062, the Disaster Relief Act Amendments of 1974, and I strongly recommend it to the Senate. The bill will provide a permanent, comprehensive assistance program for disaster relief. It is the result of dedicated work by the Subcommittee on Disaster Relief of the Senate. The subcommittee considered disaster relief proposals for more than a year, holding a series of field hearings to examine on the spot the effectiveness of Federal response in past disasters in addition to Washington hearings. Senator BURDICK, chairman of the subcommittee, and Senator DOMENICI, the ranking Republican member, are to be highly commended for their long hours of hard work and attention to detail, and for the very significant contribution that each provided. Of course, Senator RANDOLPH, chairman of the full committee, as always, provided leadership and valuable guidance and assistance.

Throughout consideration of this bill, the administration has been most helpful, providing advice and initiatives. Secretary Lynn of the Department of Housing and Urban Development took an active part in the legislation and met with the committee and assisted the committee in reporting the bill expeditiously following the tornadoes last month. Tom Dunne, Administrataor of FDAA, and his staff also assisted the committee throughout its deliberations and a number of their suggestions were adopted by the committee.

Mr. President, we recall that Public Law 92-385—which passed the Congress in the wake of the Agnes disaster—directed the administration to conduct a thorough review of existing disaster relief legislation and report to the Congress. The study included proposals to improve the execution of the disaster relief program, to standardize benefits to achieve fairness and consistency, and to preclude the need for separate legislation to aid persons in future disasters. A number of the proposals and recommendations of this report were adopted by the committee.

In addition, the committee was assisted and guided by S. 1840—the administration bill. I was glad to sponsor the President's recommendations and I am pleased that following committee hearings and comments from a number of Governors, mayors, county officials, relief organizations and individuals interested in disaster legislation, the committee substantially adopted several initiatives contained in S. 1840. For example, block grants for replacement of public facilities, and grants to families or individuals in need of disaster assistance—two of the most innovative and important provisions of S. 1840—do represent initiatives begun by the administration.

Mr. President, I am gratified also that the administration already has been working several weeks to write regulations so that this important legislation can be implemented quickly upon enactment into law. Assistance under the bill should be made available expeditiously to victims of the devastating tornadoes that struck a number of Southeastern and Midwestern States in early April.

I am confident the bill will be signed into law and that it will provide improved disaster relief assistance. I believe the legislation represents the goals of the administration and the Congress and I am pleased together we achieved this accomplishment.

The chairman of the subcommittee (Mr. BURDICK) has described very ably and thoroughly the provisions of the conference, and I will not go into detail.

The Senate bill, you will recall, provided for grants up to $5,000 to individuals and families in need of monetary assistance following a major disaster, with 75 percent Federal funds and 25 percent State matching. I believe this provision will be invaluable to many families in severe need, but who are unable to obtain sufficient assistance from other sources. The conference substitute provides that if a State or political subdivision of a State is unable to immediately pay its share, the President may advance such share. This provision should assist States and communities struck by recent tornadoes that have not had sufficient time to arrange for this new assistance.

Another innovative provision allows a community to choose a block grant representing 90 percent of the cost of rebuilding its public facilities in lieu of project-by-project restoration. This provision provides flexibility to communities. In the past, funding on a project-by-project basis led to burdensome redtape, auditing and administrative difficulties.

The Senate bill provided—for the first time—funds for the repair and restoration of private, non-profit utilities, such as REA membership co-ops. I am pleased that this provision was retained intact in conference. For example, in my State of Tennessee, extensive damages were inflicted on many REA facilities.

Mr. President, there is one new provision in the conference substitute, section 302(c), which provides that any repair or other replacement of farm fencing damaged or destroyed by a major disaster shall be considered an emergency conservation measure for purposes of payments under certain Federal programs.

On March 12, 1974, the Department of Agriculture—by administrative order eliminated restoration of farm fences as an eligible cost-sharing project under Public Law 85–58, a practice which had been followed since 1957.

We are all familiar with the tornadoes that struck a number of Southeastern and Midwestern States on Wednesday, April 3 and Thursday, April 4 and the widespread devastation they inflicted on many farm families. On Friday, I toured rural areas in Tennessee and saw the destruction of farm houses, barns and other farm structures such as fencing. For example, early estimates indicate that as much as 200,000 rods of fence was damaged or destroyed in 19 Tennessee counties and comparable losses occurred in other States—especially Kentucky, Indiana, and Ohio.

I know the widespread destruction of fencing poses a real problem for farmers. While farm homes and barns can be insured, fencing is not. Given the magnitude and widespread destruction of the disasters, it will be so costly to farmers to restore farm fencing that Federal assistance is required to return the land to productive agricultural use.

On April 19, upon learning that farm fencing had been eliminated as an eligible practice under the emergency conservation measures of ASCS, I immediately wrote to Secretary of Agriculture Earl Butz to urge that farm fencing be restored as an eligible cost-sharing practice.

On Monday, April 22, I stated that if the Department did not reverse its decision eliminating disaster aid to farmers to replace fencing, I would urge the conference to do so legislatively.

I recall that on Tuesday, April 23, Senator COOK of Kentucky spoke on the Senate floor to urge reinstatement of the fencing program and I understand Senator COOK also wrote to the President.

On Wednesday, April 24, the Senate conferees received a joint letter from Senator TALMADGE and Senator CURTIS, the chairman and ranking Republican member, respectively, of the Agriculture Committee, stating that the committee staff had urged officials of the Department to reinstate the practice, but that no assurance had been received that the Department would take such action. Therefore, Senator TALMADGE and Senator CURTIS requested that the conference committee legislatively reinstate the fencing by adding a provision to S. 3062.

On Thursday, April 25, I am glad the conference committee did adopt the provision, section 302(c), as described in the conference report. It is the judgment of the conferees from both the Senate and House that the replacement of fencing is essential to return land to productive agricultural use, and the conferees expect the provision to be implemented without artificial restrictions on limitations, such as protecting other conservation structures or permanent vegetative cover.

Section 302(c) is intended as a measure to assist farmers stricken by natural disasters. It is not intended that artificial restrictions on limitations be placed upon the program. The language of section 302(c) is very clear. It says:

> Notwithstanding any other provision of law, any repair, restoration, reconstruction, or replacement of farm fencing damaged or destroyed as a result of any major disasters shall be considered an emergency conservation measure eligible for payments.

That is, wherever there is a major disaster declaration by the President, any and all farm fencing existing prior to the disaster which is damaged or destroyed by the disaster is eligible for cost-sharing assistance under Public Law 85–58 or any other provision of the law.

While 42 counties in Tennessee and many additional counties in Kentucky, Ohio, Indiana, Alabama and other States have been declared by the President as major disaster areas, it is very disheartening to note that more than 6 weeks following the President's multi-State disaster declaration, the Department of Agriculture's ASCS had designated counties in only two States as eligible for disaster assistance. I am informed that 27 counties in Indiana were designated May 1 and 6 counties in Alabama were designated May 7. For this reason, the conference substitute is keyed to major disaster declarations by the President, so that farmers will know at once the counties eligible for farm fence replacement. Once the President acts, the ASCS—like every other Federal agency with disaster-relief capacity—is required to act promptly, humanely, and in full coordination with the FDAA.

Mr. President, the conferees also concerned that the program for 80 percent Federal cost-sharing for debris clearance under Public Law 85–58 has been subjected to increasingly restrictive administrative interpretations. Both the House and Senate Public Works Committees have received communications pointing out that in urban areas debris clearance is performed on private as well as public property at Federal expense. This authority, of course, extends to rural areas as well. The Department of Agriculture, however, has the organization, capability, and relationship with farmers to best accomplish this task. The conferees expect the Department of Agriculture to implement debris clearance under its emergency conservation program without restrictive limitations, and in a way that will provide benefits no less generous to farmers in rural areas than that extended to city dwellers in urban areas. The conferees strongly urge the Department to coordinate its debris clearance practices through the FDAA to insure this result.

SENATOR RANDOLPH SUPPORTS PROMPT ACTION ON DISASTER RELIEF CONFERENCE REPORT LEGISLATION

Mr. RANDOLPH. Mr. President, just 1 month ago the Senate passed S. 3062, the Disaster Relief Act amendments of 1974. I am pleased that we are now able to bring the conference report on this important legislation before the Senate. Final enactment of this measure will permit its provisions to be utilized in alleviating the suffering and hardship that resulted from a series of tornadoes that struck wide areas of our country early in April. It also means that a strengthened and expanded disaster relief program will stand ready to be implemented when future disasters occur.

For more than a year our Subcommittee on Disaster Relief has been preparing extensive amendments to the basic act of 1970. The companion legislation passed by the House of Representatives was a much more abbreviated bill that did not address itself to the total disaster relief program.

Our colleagues in the House, however, were aware of the need to expedite this legislation and exhibited a cooperative attitude during the conference. Conferees from both bodies carried out their responsibilities in a way that permitted the conference to be concluded in a single day. I was privileged to be a Senate conferee on this measure together with the chairman of our Subcommittee on Disaster Relief, Senator BURDICK, the ranking minority member of the Senate, Senator DOMENICI, and Senators CLARK, BIDEN, BUCKLEY, and BAKER.

The conference committee action, which I know the Senate will ratify today, refines the bill as passed last month. That measure builds upon the 1970 act under which assistance has been provided to individuals and communities throughout the United States. In 1973 alone, 46 major disasters were declared and Federal aid of various types was given to more than 75,000 families. In the past 4 years more than 100 disasters provided us with the experience to see where improvements in the program were needed. The legislation now before us makes those improvements.

A major innovation is provided in title V of the conference report which establishes a mechanism for long-range activities in the post-disaster period. In our inquiries the committee found that when the immediate rescue and relief operations are concluded rebuilding often becomes bogged down. Even though the resources and assistance of a number of Federal agencies are available the mechanism for properly utilizing them is missing. Title V provides a procedure whereby a unified approach to reconstruction can be taken, thus eliminating fragmentary and ineffective efforts that in the past caused many disaster victims to become disillusioned.

The approach taken in title V is geared specifically to physical disasters. It relates closely, however, to adjustments

that must be undertaken by economic disasters. This innovative program, therefore, will be further examined by the Committee on Public Works as we consider economic development proposals title V of the bill before us can be a valuable model in preparing a response to those instances in which economic disasters strike.

This provision to facilitate long range reconstruction of disaster ravaged communities is but one of the improvements to the total program that are included in this legislation. We have broadened the ability of the Federal Government to provide assistance in rebuilding damaged or destroyed recreational, educational, and medical facilities. The conference report provides for supplementing assistance to individuals who may not have the resources to pay their share of the extraordinary costs incurred because of disasters.

We discovered, too, that the emotional impact of disasters can be substantial on the victims. Authority is therefore included to provide professional crisis counseling services through State or local agencies or private mental health organizations.

A two-tiered response to differing types of disasters is also a part of this measure. It recognizes that there can be situations when relief and rescue operations are required, but long-term rebuilding is not necessary. To accommodate such instances, the legislation makes a distinction between major disasters and those of lesser impact.

Mr. President, I have mentioned briefly a few of the highlights of the conference report on the Disaster Relief Act Amendments of 1974. The full range and scope of this measure has been reviewed in detail by the able Senator from North Dakota (Mr. BURDICK), under whose leadership it was brought into being.

Disasters, by their very nature, are unpredictable. There is no way to know when or where they will strike or with what intensity. In dealing with such a number of unknown quantities, it is obviously difficult to write standby legislation to be brought into play immediately when needed.

Nevertheless, I believe the Federal disaster relief program, as embodied in the measure now before the Senate for final ratification, contains the mechanisms necessary to speed the required relief to stricken communities. It is broad enough and flexible enough to meet virtually every conceivable situation.

I am confident that the Senate will give its overwhelming support to this program so that final action can be accomplished in the House of Representatives and be sent to the President for his assent.

Mr. COOK. Mr. President, I would briefly like to address one very important section in the conference report dealing with the Agriculture Stabilization Conservation Service's emergency assistance program to farmers for the replacement of farm fences.

Before doing so, Mr. President, I initially would like to commend the conference committee for its expeditious handling of the conference report. The disaster relief amendments of 1974 propose a dozen major changes in the present law to more equitably provide assistance to the unfortunate victims of major disasters. I am particularly encouraged by the provisions providing grants to needy families which are essential when a family has lost every possession they have ever known. We have a good bill before us and I thank my colleagues for a conscientious solution to this Nation's disaster assistance problems.

I am also grateful to the conference committee for inserting lanugage addressing the restoration of farm fences. As you know, Mr. President, on March 12, the Department of Agriculture for some inexplicable reason, rescinded the program in effect since 1957 providing emergency assistance to farmers for up to 80 percent of damage to farm fences in the event of a natural disaster. The committee, and rightly so, in section 302(c) restores the farm fencing program by stating in the bill that, "notwithstanding any other provision of law, any repair, restoration, reconstruction, or replacement of farm fencing damaged or destroyed as a result of any major disaster shall be considered an emergency conservation measure eligible for payments under chapter I of the Third Supplemental Appropriation Act, 1957, or any other provision of law." This language will be instrumental in fully restoring the farm operation in the areas of this country so badly damaged by the tornadoes of April 3 and 4.

Mr. President, as you know, on April 24 in a speech in this Chamber I described what I considered a truly deplorable situation with regard to the loss of farm fencing. I ask unanimous consent to place in the RECORD at this point in my remarks a letter from Mr. J. Robert Wade, president of the Kentucky Farm Bureau Federation, which provides some indication of the precarious situation faced by Kentucky farmers. To quote Mr. Wade:

> Farmers are facing three major problems: (1) supplies are almost impossible to come by. This is not only true of materials for replacing and repairing buildings, but the acquisition of fencing, steel posts, and barbed wire; (2) labor is extremely scarce in rural areas; and (3) financing the purchase of materials and the hiring of labor to restore these farms to their former productive capacity for many farmers is going to be next to impossible. Many farms are already mortgaged for an extraordinary high percentage of their value, and those who are so fortunate as to not owe a great deal on their farms normally still do not have the available cash to immediately meet the great expenditure facing them.

The PRESIDING OFFICER. Without objection, the letter will be printed in the RECORD.

(See exhibit 1.)

Mr. COOK. Although Mr. Wade's letter forecasts a grim picture of the future for Kentucky's farmers, I believe and hope the disaster amendments will provide sorely needed relief.

At every level of State, local, and Federal Government, I have been impressed by the way people have pulled together to accomplish one goal—to put things back together following the tornadoes. Tom Dunne has organized, coordinated, and directed a team of dedicated individuals who have performed remarkably. He deserves a world of credit for what I consider an outstanding job as Administrator of the Federal Disaster Assistance Administration.

Unfortunately, however, one Federal agency as far as I have been able to determine has done absolutely nothing to relieve the anxiety of the situation. More than 1 month after the destruction in Kentucky, although the President declared a major disaster, the Agriculture Stabilization Conservation Service is the only responsible Federal agency which has yet to rush assistance to the affected victims of the tornadoes. This Agency has been moving centimeter by centimeter, and has been totally inept in not providing even a measure of assistance to the farmers of my State. Mr. President, 6 weeks after the disaster not one county has received help. The problems at Agriculture stem from administrative inertia and an utter lack of understanding of their responsibilities.

Some 2 weeks ago this Senator was assured by the Agriculture Stabilization Conservation Service that they were reinstating the practice of restoring farm fences. In fact, on April 26 verbal confirmation was received by my office that the 80 percent cost sharing program for rebuilding fences had been reinstated. Yet, by way of a May 2 press release from the Department of Agriculture, I found that ASCS was not being quite as gracious as I had originally been led to believe. Although the program was being reinstated, restrictions and limitations were placed on the program making it of little value to the farmers. The program would have been limited to restoring or replacing those fences essential to the establishment of permanent vegetative cover on areas seriously eroded or subject to serious erosion as a result of the natural disaster. Then, Mr. President, just 3 days ago it came to my attention that the ASCS in a notice to the States, had changed the program, again creating more confusion and delay.

Mr. President, the farmers of my State want and need to start producing again. However, the almost day-to-day issuance of directives has created a snarled program that is of absolutely no benefit to anyone. This apparent languid attitude at ASCS is deplorable considering the indispensable need of the program they administer. Fortunately, motivation to move ahead with a clear and workable program will be forthcoming by the congressional initiatives in section 302 (c) despite ASCS's inability to act. We are not being lavish in our withdrawing the present restrictions and limitations of this program—we are being practical.

EXHIBIT 1

KENTUCKY FARM BUREAU FEDERATION,
Louisville, Ky., April 19, 1974.

HON. MARLOW W. COOK,
U.S. Senate, Russell Senate Office Building, Washington, D.C.

DEAR SENATOR COOK: Thousands of farmers in Kentucky received almost irreparable damages during the storms of April 1 and 3 and greatly need assistance.

Not only have many of them lost their homes, but also their barns, silos, corn cribs, grain bins and grain, livestock, fertilizer and miles upon miles of fencing. Unlike many of those who have suffered extreme damages in

cities but still have their jobs, many of these farmers' ability to produce an income this year has been greatly impaired and probably will be for several years.

According to our information, a recent survey conducted by the University of Kentucky of county agricultural agents in what is considered the 33 disaster area counties revealed the following estimates:

Acres involved—195,000.

Homes destroyed or receiving major damage—4,031.

Barns destroyed or receiving major damage—3,246.

Cattle killed or injured—3,636.

Fences destroyed—1573 miles or 503,360 rods.

Obviously some farmers had some insurance on their buildings. Very few farmers had insurance on their livestock, and so far as we know no insurance covers the tremendous expense of replacing the fencing that has been completely destroyed.

Farmers are facing three major problems: (1) Supplies are almost impossible to come by. This is not only true of materials for replacing and repairing buildings, but the acquisition of fencing, steel posts, and barbed wire; (2) Labor is extremely scarce in rural areas; and (3) Financing the purchase of materials and the hiring of labor to restore these farms to their former productive capacity for many farmers is going to be next to impossible. Many farms are already mortgaged for an extraordinary high percentage of their value, and those who are so fortunate as to not owe a great deal on their farms normally still do not have the available cash to immediately meet the great expenditure facing them.

We are aware that the Congress has in conference a new Disaster Relief Act. We understand that its effective date will be prior to the storms that hit this section of the country. Any influence you may exert on members of the conference committee to add provisions to this act that can benefit these farmers and help get them back on their feet will be greatly appreciated. This is an extremely serious situation for those farmers who have been stricken.

We also have learned that cost sharing under the Agricultural Conservation Program of the U.S. Department of Agriculture for replacement of fencing was discontinued by regulation a month or so ago. We are requesting the U.S. Department of Agriculture to reinstate this as an eligible practice which would greatly enable farmers to get their farms once again enclosed in order that they might proceed with their livestock and dairy operations.

We would appreciate any help that you can give in urging the U.S. Department of Agriculture to reinstate this program and to make cost sharing money available for practices to help these farmers who so badly need it.

Sincerely,

J. ROBERT WADE,
President.

Mr. HUDDLESTON. I would like at this time to voice my very strong concern over the fact that many of the rural sections of the country recently devastated by tornadoes have not received disaster relief benefits on the same scale as the more urban areas.

I am concerned particularly over the Department of Agriculture's failure to fully implement the emergency conservation measures, administered by the Department's Agricultural Stabilization and Conservation Service, relating to cost sharing for the replacement and restoration of farm fencing and also the removal of debris from farmland.

For example, just the day before yesterday, I talked to a farmer in Madison County, Ky., who has already spent over $600 to replace the fencing he needs to contain his livestock in a proper and manageable grazing area. Yet, when he went to his local ASCS office, he was told he would be ineligible for cost-sharing benefits. It appears to me that he was ineligible because the fencing he had restored did not fit one of the restricted uses prescribed in the Department's regulations. Certainly, Congress cannot accept such narrow interpretations of the law. The cost-sharing benefits must be available to all those in need.

Mr. TALMADGE. Yes, I wish to thank the distinguished Senator from Kentucky for raising this point. He recently noted that the farmers in his State of Kentucky were not receiving adequate disaster relief benefits from the Department of Agriculture. He said that Kentucky farmers were not receiving cost sharing for replacement of fencing destroyed by the tornadoes and that they were not receiving payments for debris removal.

I was very concerned about these problems and had the staff of the Agriculture Committee check with USDA officials to see if they could be handled administratively. Subsequently, I received complaints from Georgia farmers about these problems.

When the USDA failed to provide relief, Senator CURTIS, the ranking minority member of the Committee on Agriculture and Forestry, and I wrote to Chairman RANDOLPH and the Senate conferees on S. 3062 to ask that language be included in the conference report to require the reinstatement of cost sharing for fencing. I ask unanimous consent that this letter—attached—be included at this point in the RECORD. The conferees graciously complied with this request.

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

U.S. SENATE,
Washington, D.C., April 24, 1974.

Hon. JENNINGS RANDOLPH,
Chairman, Committee on Public Works, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: On March 12, 1974, the Department of Agriculture eliminated fencing as an eligible practice for which cost-sharing payments could be made to farmers under the Emergency Conservation Program. Under that program, cost-sharing payments are made to farmers who carry out emergency conservation measures to repair damage resulting from wind erosion, floods, hurricanes, or other natural disasters.

The Department's order eliminating fencing as an eligible practice threatens to limit needed federal assistance to rural families in a number of states in the Southeast and the Midwest which suffered damage as a result of the tornadoes on April 3, 1974. While we do not have data for all the states affected, the Kentucky Farm Bureau Federation estimates that more than 2,300 miles of farm fencing in that state were destroyed by the tornadoes. The President of the Georgia Farm Bureau Federation states that the tornadoes destroyed much of the fencing in numerous counties in north Georgia.

Senator Huddleston of the Committee on Agriculture and Forestry has written Secretary Butz asking that the fencing practice be reinstated. Members of the staff of the Committee on Agriculture and Forestry have also urged officials of the Department to reinstate the practice. However, we have received no assurances that the Department will take such action.

Under the circumstances, we should appreciate your efforts, and the efforts of the other conferees, in adding a provision to S. 3062 during its consideration by the Conference Committee to reinstate the fencing practice by legislation. A copy of a draft amendment to reinstate the practice is enclosed.

Sincerely,

HERMAN E. TALMADGE,
Chairman.

CARL T. CURTIS,
Ranking Minority Member.

AMENDMENT TO S. 3062

Add the following new section 602 at the end of page 98:

"EMERGENCY CONSERVATION MEASURES

"SEC. 602. Notwithstanding any other provision of law, funds appropriated to the Department of Agriculture for the purpose of making payments to farmers for carrying out emergency conservation measures (71 Stat. 176) shall be available for the replacement of permanent fences on farmland which are damaged or destroyed by wind erosion, floods, hurricanes, or other natural disasters."

EXPLANATION

Under the Emergency Conservation Program, cost-sharing payments are made to farmers who carry out emergency conservation measures to repair damage to their farms resulting from wind erosion, floods, hurricanes, and other natural disasters.

On March 12, 1974, the Department of Agriculture eliminated fencing as a practice for which cost-sharing could be made under the Emergency Conservation Program.

This amendment would require the Department to reinstate fencing as an eligible practice for emergency assistance.

Mr. HUDDLESTON. The attention given this matter by the Committee on Agriculture and the conferees from the Public Works Committee is to be commended.

Also, I was pleased that on May 2, the Department of Agriculture did, in fact, reinstate the "restoring permanent fences" provision of the emergency conservation measures available under Public Law 85–58. However, I think it should be made clear that in their press release announcing the restoration of this provision, the Department maintained what I consider to be totally artificial restrictions regarding the availability of cost-sharing benefits.

I am delighted that the language of the conference report we are now considering, in section 302, appears to anticipate this tactic by the Department. The intent of the conferees is clear. To return the land to productive use, any farm fences that are destroyed in a natural disaster must be eligible for participation in the cost-sharing benefits program. The cost-sharing benefits cannot be limited to restoring or replacing only that fencing interpreted by the Department of Agriculture to be "essential to the rehabilitation of conservation structures of facilities, or essential to the establishment of permanent vegetative cover on areas seriously eroded or subject to serious erosion as a result of a natural disaster."

Also, I do hope the Department of Agriculture will act quickly to remove the excessive restrictions which have recently been imposed on debris clearance.

Mr. TALMADGE. The Senator is correct. The conferees clearly stated that

the provision for cost sharing for fencing is not to be artifically restricted by regulations.

I expect the Department of Agriculture to make cost-sharing available to farmers whose fences were destroyed by tornadoes without attempting to draw artificial and awkward distinctions. For example, those farmers who have fences eligible for replacement or restoration under the emergency conservation measures should receive the full 80 percent cost-sharing benefits and not be restricted to 60 percent and sometimes as low as 40 percent dependent upon the age of the fence.

I might add in closing that I very much share the Senator's desire to see the regulations concerning debris removal changed to allow more participation by farmers in need.

Mr. TAFT. Mr. President, I would like to take this opportunity to thank the chairman, ranking member and other members of the Public Works Committee for their responsiveness to my suggestions and concerns with respect to the disaster relief bill. The committee, and in fact the entire Congress, has reacted in a gratifying fashion to the needs of my constituents and others victimized by the recent tornadoes. The committee has truly done an outstanding job of moving remedial legislation promptly through the entire legislative process to this point.

I am particularly gratified that the committee has taken an approach which includes grants to disaster victims along the general lines of legislation I proposed last November, the Emergency Disaster Recovery Act. I hope that because of these and other provisions, the next time a major disaster hits, Congress will not again be faced with the prospect of acting retroactively to provide a reasonable level of assistance. Another issue on which I must express my appreciation is the action by the conferees to ease somewhat the delays and other problems which might be caused by the provisions of the bill calling for State administrative and financial responsibility for the grant program. Although I would have gone even further in this direction, the actions of the conferees should at least make a difficult transition somewhat easier.

At this point I must indicate my reservations about the provision making the bill retroactive to April 20, 1973, even though some of my constituents would be helped by it, I simply believe that this is a costly, and in this case administratively difficult precedent to set. For example, we would never be able to agree on a tax law if we tried to redress inequities retroactively. However, in view of the necessity to pass these provisions to assist present and future disaster victims, the undeniably urgent needs of some victims of disasters occurring during the past year and the apparent political necessity of including the retroactivity provision, I strongly support the bill despite this provision.

I urge the House of Representatives and the President to take the steps necessary to complete action on this measure promptly.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

AUTHORIZATION OF APPROPRIATIONS UNDER THE INTERNATIONAL ECONOMIC POLICY ACT OF 1972

The PRESIDING OFFICER. Under the previous order, the Senate will proceed to the consideration of S. 2986, which the clerk will state by title.

The legislative clerk read the bill by title as follows:

A bill (S. 2986) to authorize appropriations for carrying out the provisions of the International Economy Policy Act of 1972, as amended.

The Senate resumed the consideration of the bill.

Mr. GRIFFIN. Mr. President, what is the time agreement?

The PRESIDING OFFICER. There is no time limitation.

Mr. GRIFFIN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. STEVENSON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. President, this bill, S. 2986, is the authorization legislation for the Council on International Economic Policy. It has been carefully considered in the Committee on Banking, Housing, and Urban Affairs. It was reported unanimously by that committee. It has received consideration on the floor of the Senate. I am quite prepared to vote at this point on the legislation. I do not know if there are any amendments. I believe there may be one amendment to be offered to the bill. With that possible exception, I am ready to vote.

Mr. TOWER. Mr. President, we are trying to work out a possible amendment, and will need a few minutes' time. Therefore, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. STEVENSON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. STEVENSON. Mr. President, for months the debate has raged on how to end wage and price controls. Throughout, I have emphasized the need for orderly decontrol, and that if decontrol were not orderly the result would be runaway inflation, another freeze, and new controls. The result would then be more disruption, more hardship, more uncertainty, and a long delay before returning to a free market.

This is happening already. The wholesale price figures announced today show that industrial commodities in April rose at an annual rate of 37.6 percent and that wholesale prices are 18.8 percent above their level 1 year ago.

In the 1 week since controls ended, major price increases have been announced. U.S. Steel announced increases of 9 percent on rolled steel—its major product—and average price increases of 5.7 percent. Major copper producers announced increases of 18 percent. Westinghouse announced increases of 10 percent on light bulks. Major vitamin producers announced increases of 24 percent. And just yesterday, Ford Motor Co. announced increases averaging $163 per vehicle, an action which the Director of the Cost of Living Council branded as "unwarranted" and in violation of Ford's decontrol commitment.

Mr. President, the body of the Cost of Living Council is not yet cold, and already the rush is on to hike prices. Decontrol promises are being disregarded—and there is no effective way to enforce them. With the administration discredited and in disarray, it is everyone for himself, and the devil take the hindmost.

In these circumstances, a failure to act would be inexcusable. It is an abdication of responsibility. The Nation cannot tolerate another surge of inflation and another round of controls. If they are to be forestalled, the time is now. Responsible economists and government officials agree.

In a column in the Washington Post today, Hobart Rowan warned that thoughtful analysts say that:

We haven't seen the last of controls. They are not a cure-all, but the only real alternative as an inflation-killer is a high level of unemployment.

In an appearance before the Senate Commerce Committee today, the Chairman of the Council of Economic Advisors, Herbert Stein, agreed that we need monitoring and continued control authority in the health care and construction industries.

In a speech on Monday of this week, the Director of the Cost of Living Council said:

The simple fact is that monetary and fiscal tools are not enough, and we must get to the task of developing other measures even though their contribution may be less immediate or powerful.

Mr. President, the pending bill is no cure-all. But it is a tool. It is less than I had hoped and fought for—namely, a limited continuation of standby wage and price control authority. It is, nonetheless, a tool for continuing the fight against runaway, double-digit inflation.

Last Thursday, the President chided the Congress for failure to enact the administration's proposal, but the administration's proposal never included standby authority, except in the health sector. It was the administration's abuse of its past control authority and its determined opposition to any effective legislation that brought us to where we are today. The President is playing an irresponsible game of politics with the inflation and suffering that his own mismanagement has helped to inflict upon the country.

There is no place for politics in this deadly serious matter. Inflation robs everyone—especially the poor, the el-

derly, and all those whose incomes cannot keep up. It generates labor unrest. It can lead to social strife. It jeopardizes the very foundations of our society. This limited, this minimal, this eminently reasonable legislation should be enacted—and it must be enacted now.

Mr. JOHNSTON. Mr. President, I ask unanimous consent that Jack Weiss, of my staff, be granted the privilege of the floor during the consideration of this bill and the votes thereon.

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

Mr. JOHNSTON. Also, I ask unanimous consent that Reid Feldman, Stanley Marcus, Howard Beasley, and Anthony Cluff, of the Committee, be granted the privilege of the floor during the consideration of this bill and the votes thereon.

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

Mr. JOHNSTON. Mr. President, there were three parts to the original bill on wage and price controls. The first part had to do with standby controls, which Senator MUSKIE, Senator STEVENSON, and I felt very strongly should be included in the legislation which Congress would pass; but Congress, in its wisdom, has deleted the portion on standby controls.

There remain, however, two extremely important parts of this legislation which are still included in it. The distinguished Senator from Maine (Mr. MUSKIE) will discuss the importance of monitoring of the economy. I would like to say a few words about the enforcement of commitments—that part of the bill which allows the Cost of Living Council to enforce those commitments voluntarily given prior to May 1, 1974. Without the authority provided by this bill, there are serious questions as to whether there is the legal authority to enforce those commitments at all.

Mr. President, we saw, day before yesterday, that the Ford Motor Co., raised its average 1974 model car and truck retail prices by $163 or 3.5 percent. GM threatens similar action. GM, Ford, and American Motors had previously committed themselves not to increase 1974 model prices "barring major unforeseen factors." Dr. Dunlop has already made a statement on this matter, and has said that no unforeseen factors exist, and that the price rises are indefensible and are in fact in violation of a commitment given. The Cost of Living Council, in the face of difficult legal problems, is contemplating but has not yet decided whether or not to take court action.

The Ford situation is indicative of the need for immediate congressional action to clarify the enforceability of decontrol commitments. The decontrol commitment structure is threatening to come unglued, if not to collapse, depending upon what the courts should finally decide. This is of extreme importance to the fight against inflation in this country.

Three hundred major firms in the United States have made voluntary commitments, which cover 17 key sectors of the economy. Let me give you a partial listing of the sections of the economy which are subject to such commitments:

The fertilizer industry, which is so critical to food prices and to agriculture.
Cement, which is a basic raw material for construction.
Zinc, used in galvanizing.
Automobiles.
Prepared feeds.
Mobile homes.
Petrochemicals, which find their way into so many products that consumers use.
Insecticides.
Rubber tires and tubes.
Retail trade.
The paper industry.
Fabricated rubber.
Canned fruits and vegetables.
Coal.
Aluminum.
Semiconductors.

Mr. President, the industries in the United States which have made commitments are key and critical to the economy, and unless those commitments are enforced, obeyed, and lived up to according to the letter, inflation threatens to become even more unglued, even more exacerbated than it is today.

Mr. President, these commitments cover not only price restraints, as in the case of General Motors and Ford, but other parts of market behavior so critical to the fight against inflation.

For example, the fertilizer commitment, given on October 25, required that fertilizer exports be diverted to the U.S. market; that fertilizer firms would continue to operate marginally productive facilities and explore the possibility of reopening old plants; that they would undertake new plant construction and expedite new plant construction in progress. Many of these commitments are on an indefinite basis and continue to affect the key fertilizer industry.

Mr. President, if Ford is allowed to flagrantly violate its commitment, as it is doing now, fertilizer will do the same, and without increased capacity, without expedition in the building of new capacity, and without any constraint on exports, fertilizer threatens to become very critical.

Another typical example, Mr. President, is the rubber tire and tube industry, where the five largest firms agreed to increase wholesale prices only 5 percent through August 1, 1974; to increase prices on retail small car tires no more than 4 percent through August 1, 1974; to expand capacity for producing radial tires by January 1, 1975; and to improve their price reporting on an indefinite basis.

Again, Mr. President, in such a critical industry as the rubber tire and tube industry, where the prices affect such a large segment of the American consumers, without price restraints we face increasing inflation of a critical nature.

Mr. President, these commitments should be enforced; they were given in exchange for a valuable quid pro quo—exemption from price controls—while the law was still on the books; they are custom tailored to the individual industry and consequently we know they are workable. These are not the kind of bureaucratic rules that have been fashioned by some group in Washington that is unfamiliar with the exigencies of a particular industry. Rather, these are commitments voluntarily given, bilaterally worked out between the Government and the industries, and calculated not only to cool inflation, but to work and allow the industries to make an adequate profit, as the free market system is designed to do.

Finally, Mr. President, it is part of our tradition that a bargain is a bargain. A deal is a deal, and these deals and these bargains ought to be enforced and lived up to.

Mr. President, what the provisions in the present law and in the bill now before the Senate do is declare that commitments given prior to expiration of the Economic Stabilization Act shall remain in full force and effect despite the expiration of the act on April 30. The bill provides that controls may be reimposed for violation of a commitment, injunctions may be obtained, and the penalties provided for under ESA for violating an order or regulation may be applied for violation of a commitment.

Mr. President, the bill also provides that judicial review provisions of ESA shall be available to a person charged with violation of a decontrol commitment.

I think it is important, Mr. President, that we point out also what the bill does not do. It does not cover under the rubric of commitments pre-April 30 wage orders. Term "commitments" is restricted and means only those specific arrangements secured from 17 key industries. No authority to enforce prior wage cutbacks or to issue regulations relating to "paper wage" problems in some industries is provided for this bill.

The term "commitments," Mr. President, also does not include any vague indication from management or labor to act responsibly in the future—no more and no less than the agreements reached with 17 key industries in the course of granting them exemption from the ESA. That is all that is provided for as far as commitments that have been given are concerned. In other words, the term "commitment" is a term of art, and relates only to those voluntary commitments reduced to writing and, in effect, made a contract between these industries and the United States.

Mr. President, in my judgment it would be utterly irresponsible, almost outrageous, for Congress to walk away from these commitments, which are not only morally right in their enforcement, but calculated to be effective in the fight against inflation.

Mr. MUSKIE. Mr. President, I do not see any necessity for extended debate on this issue. We debated it last week. We have had discussions off the floor. So that I think the Senate, by and large, is well acquainted with the issues and what it is that those of us responsible for the amendment seek to accomplish.

However, it might be helpful if I reviewed some of the points in the pending bill and why I think it should be approved.

Mr. President, S. 2986 as presented to the Senate today contains provisions for a minimal but effective congressional response to the inflationary dangers our Nation faces. As a result of Senate action last week, S. 2986 has been amended to include a modified version of the Cost of Living Act, which I presented to the Senate with Senators STEVENSON and JOHNSTON—also cosponsored by Senators CANNON, CASE, CHILES, HASKELL, HATHAWAY, JAVITS, MANSFIELD, MCGEE, RANDOLPH, and RIBICOFF.

As presently contained in S. 2986, the Cost of Living Act basically includes two simple provisions: authority and a congressional mandate for the executive branch to monitor inflation, through an economic monitoring agency; and authority to enforce decontrol commitments.

The statistics on inflation in the first quarter of this year are familiar to most of the Senate by now: the 14.5 percent annual rate of consumer price increases; inflation in wholesale prices at a 25 percent annual rate; and a decrease in average real weekly earnings at an annual rate of 20 percent.

And more recent price increases since the Economic Stabilization Act expired last week tell us that we can expect continued high inflation in the months ahead. National Steel Corp., the Nation's third largest steel company, raised tin-metal products prices by 9.5 percent on the average last Wednesday. Copper producers increased some prices by 18 percent. Industrial gas prices were increased by between 10 percent and 15 percent by one large producer. And just yesterday, the Ford Motor Co. increased their base prices on 1974 model vehicles to levels Dr. John Dunlop, Director of the Cost of Living Council, called "unwarranted."

Mr. President, I ask unanimous consent to have printed in the RECORD an article on that subject which was published in the Washington Post this morning.

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

[From the Washington Post, May 9, 1974]

FORD RAISES PRICE DESPITE 1973 PLEDGE

(By James L. Rowe, Jr.)

Ford Motor Co. announced yesterday it is raising prices on its cars and trucks by an average of $113 per vehicle, effective immediately.

The move brought a quick telegram from Cost of Living Council Director John T. Dunlop, who told Ford that its action was "unwarranted" and a violation of the company's commitment last December to forego further price increases in exchange for being freed from wage and price controls.

Ford Chairman Henry Ford II responded with a telegram saying the company has had cost increases of $214 a car since Nov. 1, more than double the $98 forecast last December.

The company said its action was fully justified by costs and noted that the December agreement permitted price rises in the event of unforeseen economic developments, including cost increases substantially higher than projected.

The Cost of Living Council's authority to enforce mandatory wage and price controls expired on April 30. Since then there have been large increases in steel prices, health care prices and copper prices—three of the major industries that remained under price controls until the very end.

In addition, the chairman of Dow Chemical Co. told shareholders at the company's annual meeting in Miami yesterday that Dow "must massively increase the prices of our products" to recover the company's rising costs.

But Ford was apparently the first major company to raise prices after pledging to hold them down in return for being freed of wage and price restraints.

Some Senate observers think the Ford move will help a bipartisan group of legislators who are attempting to push through Congress some form of Cost of Living Council which will monitor the economy's wage and price developments. A vote is scheduled today.

One observer said Ford's move might kindle further support for giving the council authority to enforce decontrol commitments and perhaps some limited form of standby authority. Seventeen industries made deals with the council in return for decontrol.

In addition to the $113 of 2.4 per cent increase on base prices, Ford also announced that it is making standard equipment of a number of items that had previously been optional. That move will raise prices another 1.1 per cent, about $50 a car.

General Motors Corp., the industry's largest producer, said it had submitted data to the Cost of Living Council in support of a price increase but has not decided whether it will raise prices for the balance of the model year, which ends in September.

Last week, Chrysler Corp., third biggest auto maker, announced a price increase averaging $99 a car. Chrysler was the only one of the four biggest auto manufacturers that refused to enter the decontrol commitment with the Cost of Living Council.

The council decontrolled Chrysler anyway.

All four major automobile makers have had sharp declines in profits during the first quarter partially because of rising costs and partially because car sales were off substantially because of the energy crisis.

GM's profits were off 85 per cent and Chrysler's were down 98 per cent. Ford, the second largest producer, reported a profits dip of 66 per cent, and American Motors Corp. had a falloff of 58 per cent.

Small cars, whose sales have been booming, make up a larger percentage of Ford and AMC products lines than of the other two auto makers.

Dunlop, in his telegram to Ford, agreed that the data submitted by the company have risen "above those projected when the industry was exempted in December, 1973." But, he said, the Ford increases are not "consistent with the council's understanding of the voluntary commitment your company made with the council in December as a condition for decontrol."

A spokesman for the council said Dunlop is not basing his objection on how much Ford's cost increases have exceeded projections, but rather that Ford is violating the agreement made with the council during a climate of rising prices.

Ford said the $113 increase comprises a $91 increase for base vehicles, $15 for options and $7 for destination charges.

The $113 increase is on retail prices, and Ford will get $91 of it.

A spokesman for the company said that the increase applies neither to cars already on dealer lots nor to firm orders already placed.

Mr. MUSKIE. Mr. President, I make the point that the Ford Motor Co. was subject to one of the decontrol commitments which we have been discussing.

In another article in the Washington Post this morning, Hobart Rowen, reporting on the aftermath of wage and price controls, made the following observation:

The early signs are not very encouraging to those suffering from inflation. Health "industry" prices, according to the administration's own analysis, will skyrocket. Metal, auto, paper, and many other prices are already moving up. Wage increases, without doubt, will be pushed higher this year than last (and the 1975 pattern could top 1974's).

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

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

WAGE AND PRICE CONTROLS: A RESURRECTION?

(By Hobart Rowen)

Wage and price controls having been buried, we will now have an opportunity to see what the much-advertised "free market system" will accomplish.

The early signs are not very encouraging to those suffering from inflation. Health "industry" prices, according to the administration's own analysis, will skyrocket. Metal, auto, paper, and many other prices are already moving up. Wage increases, without doubt, will be pushed higher this year than last (and the 1975 pattern could top 1974's).

Logically, it is difficult to understand why this country, in the midst of the most pressing inflation since World War I, would abandon all form of controls, even on a stand-by basis that might inhibit extreme wage and price increases.

Those who expect that the rate of inflation will drop back from the horrendous results of the first quarter, when consumer prices shot ahead at an annual rate of 14.5 per cent, agree that price jumps will still be above what used to be considered "acceptable" levels.

Thus, Michael K. Evans of Chase Econometrics predicts that the CPI this quarter will be up by another 8 per cent, with industrial wholesale prices spurting at a 15 per cent annual rate.

Evans sees further improvement in the second half, "due primarily to the end of sharply rising oil prices, a continuing decline in prices received by farmers, and the end of the post-Phase IV inflation bubble."

But as union leaders, not abandoning logic, press for wage increases to make up for last year's 10 per cent inflation, they won't have to buck a wage guidepost, or that wise old Cost of Living Council director, John Dunlop.

What can be expected are wage hikes averaging over 7 per cent this year and 9 per cent next year, according to Evans. Many unions will be pushing for and getting much more, with increasing attention to cost-of-living escalators.

In an otherwise optimistic appraisal of the economy, economist Wilfred Lewis Jr. of the National Planning Association says "the cloud on the horizon is the continuing threat of inflation.

"Although there should be some slowing by year end in the recent rate of food and fuel prices, wage demands will be very large this year, understandable in the light of last year's hikes in consumer prices.

"If no constraints are imposed on manufacturers' prices, there is a very grave danger that, by as early as 1975, we will once again face the unpleasant dilemma of accelerating inflationary pressures while there is still too high a rate of unemployment."

What Lewis and other keen analysts are saying, rather bluntly, is that we haven't seen the last of controls. They are not a cure-

all but the only real alternative as an inflation-killer is a high level of unemployment.

The moderation in fuel and food prices, Lewis says, is but a reflection of an easing of last year's shortages. The underlying inflationary pressures are much worse now than they were in 1973.

The fact that the second quarter CPI rate may be less horrible to contemplate than that 14.5 per cent number of the first quarter, Lewis adds, "should not be taken as a sign that demand management policies have succeeded in curbing inflation, or that the time has come when price controls can safely be discarded."

Controls now have a bad name, created in large part by an administration entrapped by its bitter ideological hatred of them. It waited too long before applying the first freeze in 1971, then weakened the ability of controls to perform a reasonable function by inflationary fiscal policies and an agriculture policy (nonpolicy?) that was downright irresponsible.

Then in the flush of victory after the November, 1972, election, the ideologies won out over good sense and catapulted the whole program into disaster by abandoning the mandatory Phase II in January, 1973. The program has been dying a slow death ever since.

Big business, which originally argued for controls as a device to hold down wages and which then led the charge for total abandonment, will probably be back hollering for help before long.

As for labor, which helped in the final kill, its unhappiness with Nixon's controls needs to be put aside in the future. Wage increases of 10 per cent look great when announced, but amount to zero when there's a 10 per cent inflation.

There is room for an "incomes policy" which is fair to all sides. But it will take time to purge the country of the Nixon administration's catastrophic influence.

Mr. MUSKIE. Mr. President, in the face of this continuation of inflationary trends, there is a clear need for the economic monitoring and decontrol commitment enforcement provisions which are now included in the Cost of Living Act as part of S. 2986. My distinguished colleague from Louisiana, Senator JOHNSTON, has described in detail the need for the decontrol commitment enforcement authority. I would like to take a few minutes of the Senate's time this afternoon to discuss the need for the economic monitoring agency authority contained in the Cost of Living Act.

The basic purpose of an economic monitoring agency is to provide a distinct institutional focus for Federal action on inflation.

One important reason to grant special economic monitoring authority is to evaluate the effect of a variety of Federal decisions on prices and availability of domestic products. For instance, the Agriculture Department, the Treasury Department, the Commerce Department, the Council on International Economic Policy, the President's Special Trade Representative, the Federal Energy Office—all make decisions that have an impact on our import and export policy. The Interior Department, the Federal Energy Office, the Agriculture Department, the Department of Housing and Urban Development—all make decisions affecting the production of important resources. The Labor Department has responsibility for labor decisions. Dozens of kinds of regulatory decisions—made by the Department of Transportation, the ICC, the FTC, the Environmental Protection Agency, and other agencies—have important effects on domestic prices and supply. And the many Federal budgetary decisions, made by the Office of Management and Budget and specific agencies, can also have important effects on prices and supplies of specific commodities and products.

A second important reason for establishing a separate economic monitoring agency is the collection and analysis of economic data adequate to forecast special inflationary and shortage problems in special industries. Conventional economic data, such as that collected by the Bureau of Labor Statistics, and the Commerce Department, are most often historical by nature, telling us what kinds of inflation and shortages we have experienced in the recent past, but not what we can expect in the future. Only under the Cost of Living Council has there been adequate "forecasting-type" data, such as: wage rates by locality in the construction industry; fertilizer prices, production capacity, import and export data; projected demand data on health; and data on the ability to substitute one raw material for another. Only with the continuation of an economic monitoring agency will the Federal Government continue to have the capacity to perform this important data collection and analysis function.

Third, Mr. President, a separate anti-inflation agency is needed to take positive action, short of wage and price controls, to avoid inflation and shortages in specific economic sectors. No conventional agency now performs these kinds of functions, such as: establishing communications among Government, management, and labor in particular sectors; calling attention, publicly and privately, to the need for voluntary restraints in selected instances; and the promotion of planning to avoid shortages which might have a ripple effect on the rest of the community.

None of these functions—these three that I have described—are now the mission of any other agency. The only executive branch body with the potential economic overview to perform these functions is the Council of Economic Advisors—and its permanent staff of 46—including both professional and clerical positions—is far too small to allow it to assume this mission. And, of course, it is not now charged with this mission.

Only by passing the Cost of Living Act, and mandating that these functions be performed by the executive branch, can we have some hope of having necessary warning of special short-term inflation and shortage problems we might face in the months ahead, and assurance that there will be a continuing study of the long-term inflation problems our Nation faces.

Finally, Mr. President, I would like to point out that the psychology of having a monitoring agency, even though it has no standby control authority, will be at least marginally helpful to the economy. A watchdog on inflation is better than providing no attention at all. And no one will ask for higher wages, or higher prices, merely because this agency exists. But its activities along the lines I have described could help promote a responsible attitude toward inflation on the part of business, labor, the administration, and the public at large.

By reaffirming its decision of last week, and giving final approval to S. 2986 and the Cost of Living Act, the Senate would be taking a positive step to meet the inflationary dangers of the months ahead.

Last week, Mr. President, some confusion was reflected in the debate as to the position of the administration on this proposal. Yesterday, I put in the RECORD a speech by Dr. Dunlop in which he strongly endorsed the concept of an economic monitoring agency; and I ask unanimous consent that his speech be printed at this point in the RECORD, so that there will be continuity in the presentation of this issue.

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

TOWARD A LESS INFLATIONARY ECONOMY
(By John T. Dunlop)

Although the economy is performing surprisingly well in real terms, everyone knows inflation is a baffling persistent problem. It appears to be intractable here and abroad. Our CPI was up 10.2 percent in the period March 1973 to March 1974. The GNP deflator was up at a 10.8 percent rate in the first quarter of 1974. Inflation in the CPI in Japan was 26.3 percent in the past year and 13.2 percent in Great Britain.

The tendency of all forecasters has been seriously to underestimate inflation while showing a better record of estimates for output and employment. For instance, early in the year the forecasts for the GNP deflator in the first quarter were in the 7 and 8 percent range; the first quarter was in fact at the annual rate of 10.8 percent. While forecasts for the rest of 1974 typically show a marked reduction in this rate of inflation, it is my view that these estimates, derived from a combination of econometric models and hunch in varying proportions, still have a tendency to underestimate the extent of inflation in the second half of the year. A number of forecasters have again revised these estimates upwards recently.

I wish to propose for our discussion the nagging question of why these inflation rates, and at the same time pose the inescapable enigma of the private and public policies that are appropriate to constrain such inflation over the long term.

As an example of one view of inflation, the April 1974 *Monthly Economic Letter* of the First National City Bank argued against any Federal concern with monitoring private actions or government influence in particular markets as a means to constrain inflation. It held that "Inflation has little to do with the structure of private markets, which change only slowly. Rather, [inflation] depends on the relation between two growing aggregates, the level of monetary demand and the level of physical supply. When money demand grows faster than real output, the price level ultimately rises."

These views are a mirrored image of the perspective of Milton Friedman: ". . . inflation is made in Washington, in that stately and impressive Grecian temple on Constitution Avenue that houses the Board of Governors of the Federal Reserve System. Prices have been rising at faster and faster rates because William McChesney Martin and the other distinguished men who govern the

system have decreed that they shall." (*Newsweek*, January 20, 1969, p. 78.) The names and the inflation rates are different today, but the theory is unchanged.

Let it be clear that I have no doubts that monetary policy is a major tool which can restrain or stimulate the economy; indeed monetary policy and fiscal policy are generally considered to be the major tools. But I reject the absolutism and exclusivity of this and similar analyses of inflation and its antidote, particularly for the long term.

The experience of recent years, in my view, supports the realistic judgment that monetary and fiscal policies are not sufficient tools by themselves to restrain effectively the types of inflation we have had, or that the authorities in charge of these policies—in the executive or legislative branch of government—are constrained in the extent they can use them. For the present purpose it matters little whether monetary and fiscal tools are inherently inadequate to deal with contemporary inflations or that the users are inhibited by practical considerations in their application of these classical measures. The simple fact is that monetary and fiscal tools are not enough, and we must get to the task of developing other measures even though their contribution might be less immediate or powerful.

Another school of thought stresses that inflation is derived, or at least made more virulent, by monopoly power of certain business enterprises and labor organizations. The appropriate relief to this alleged cause of inflation is seen to be more vigorous prosecution of the antitrust laws. Organized consumer groups in the past year have often stressed this view to me, urging a greater role for the Federal Trade Commission and the Justice Department. I readily agree that a more competitive economy in some sectors is desirable. But such policies involve endless litigation and uncertainty and, accordingly, are not likely to make much of an impact on inflation. Further, the contributions of collective bargaining are not likely to be set aside by the American community in favor of extension of the antitrust laws to industrial relations. In the present setting, it has been the competitive sectors of the economy that have shown the greatest inflation.

While not neglecting the contribution of other policy tools, I would like to stress the need for a whole series of structural changes in the economy and in their relations to government in order to constrain inflation over the long pull. These structural changes take time to develop; some are major institutional changes, while others are more modest adjustments.

There is need for a central focus—a continuing Cost of Living Council, or similar type of organization—to work within the Federal Government and in cooperation with private sector institutions to explore, to stimulate and to induce necessary changes. These activities are not to be confused with jawboning or preachments. They involve, rather, seeking to get government and private groups to change their internal decisionmaking processes, their habits of mind and thought patterns, and their responses to their outside worlds. Such changes cannot be achieved by fiat or regulation, but must emerge from persuasion and hard experience as a series of new consensuses, both within the society and within separate economic groups and institutions.

I should like to set forth a number of examples of the type of structural changes that need to be made in government, in the government's relationships with various groups, in labor-management relations, and in business, all with the objective of creating a less inflationary economy.

GOVERNMENT

1. The single most important structural change needed in government to restrain inflation is a reorganization in the Congress to formulate coherent tax and expenditure policies and thereby to work more cooperatively with any administration toward a viable fiscal policy to constrain inflation. Many public spirited members of the Congress of both parties have been working on this matter for many years and some progress has been made, but we have a long way to go. We simply cannot constrain inflation in this country until the Congress gets its fiscal house in order.

There is a need for change in outdated, outmoded Federal policies which contribute to inflation in specific industries. We have a golden opportunity now to rid ourselves for the long term of the restrictive agricultural policies of the past 30 years that were engendered particularly by the depression of the 1930's. The Cost of Living Council in 1972 and 1973, somewhat belatedly perhaps, took the leadership in pushing for the elimination of many of these restrictive practices—planting restrictions, import restrictions, some provisions of marketing orders, and the like. The extent to which agriculture has been largely transformed to expansionist policies, in my view, is not fully appreciated. Yet, it is extremely important to maintain these changes in order to constrain inflation for the future, to rebuild stockpiles to provide a degree of cushion from worldwide price and crop fluctuations in the future, and to provide further counters for our foreign policy. Regrettably, there are already signs that the restrictive practices of the past are returning. Agriculture is but one illustration of areas where government policies to encourage supply, or to stop inhibiting supply, are essential to restrain price increases.

3. The involvement of government in various sectors of our economy also dictates a reevaluation of existing private policies. In the health care area the government has come to be the largest purveyor of funds and now is seriously considering new injections of dollars and demand in the form of national health insurance. Its interventions, including Medicaid and Medicare, essentially have provided for cost passthrough and reimbursement, with the inevitable consequences of unnecessary services, inefficiencies and, consequently, more inflation. It is essential that the government's involvement in the health care field be modified to restrain inflation by requiring that prospective budgeting procedures replace automatic cost reimbursement. That was the purpose and design of our Phase IV health regulations.

GOVERNMENT RELATIONS TO SPECIAL PROBLEM AREAS

4. The relationship of government to particular problem areas in our society warrants increased attention. For example, despite some commendable innovations in the last half dozen years, the fate of the housing industry and its fluctuations from year to year depend very largely upon general monetary policy and interest rates. There are enormous costs of instability and inefficiencies in home building which grow out of the frequent and unpredictable changes in monetary policies. A significant area for institutional and structural change is to develop ways of providing for less violent fluctuations in housing through variable mortgage and deposit interest rates, as in some other countries, or other devices to provide a flow of funds more stable for housing with consequent greater efficiency and lower costs of housing production.

5. Another of the major problems of the society where the government has a role is the interface between work and school, particularly in the age group 16–21. Reported unemployment rates of 17.0 percent for 16 and 17 year olds and 11.4 percent for 18 and 19 year olds, compared to 4.9 percent for all age groups in 1973, may alternatively be viewed as a failure of the labor market, as it usually is, or as a failure in the educational system. No amount of general economic policy is likely to make much of a contribution to this problem and attempts to do so will likely contribute to inflation. Rather, there is a definite need for considerable restructuring of the local arrangements made to bring young people of this age group into contact with the labor market, and for labor market feedback, in turn, into the educational system.

Incidentally, to include these youth in our national unemployment figures, as we conventionally now compute them, whether or not the person has previously held a job, is also to provide a most unsatisfactory and inflationary indicator for general economic problems.

6. One of the areas of policy most likely to affect long-term inflation prospects has to do with the impact of the rest of the world upon the United States through variations in imports, exports and exchange rates. I am convinced that the major lesson of the inflation of 1973 is the reality that we live in a vastly more interdependent world in primary commodities and manufactured goods than ever before. One needs to be very careful not to promote autarky, by restricting unduly either imports or exports. But, at the same time, the United States can no longer afford to be the market of last resort, as in the case of ferrous scrap—the only country to export ferrous scrap, with the consequence that our steel prices must bear the full impact of the residual decisions of all other countries.

Neither is it realistic for a domestic energy program to be entirely dependent on price policies of other oil producing countries where those policies have been used for political purposes. A world in which primary producing countries decide to raise, in cartel fashion, the prices of many other primary products is a very different one than we have previously experienced. Thus, the time has come to equip ourselves with trade policies to deal with these new conditions.

LABOR-MANAGEMENT RELATIONS

7. Today, an opportunity exists as never before for the development of imaginative machinery for the settlement of disputes over the provisions of new collective bargaining agreements in a number of industries. Basic steel and railroads have reflected this atmosphere. Yet, a good deal of further constructive work can be done in other sectors, such as paper, maritime, retail food, construction, newspapers, and the like. The fragmentation of collective bargaining in many industries which conduct local or regional negotiations, with the associated whipsawing and escalation of settlements, is one of the principal ways in which collective bargaining creates inflationary pressures. Dispute settling machineries which deal with these questions, and at the same time direct the attention of the parties to their fundamental long-run problems of technological change, productivity and manpower, can be enormously constructive.

8. Within the labor area, one of the most important structural problems for the future relates to the continued growth in fringe benefits relative to the pay package. There is no doubt that following 1940 it was appropriate to develop a variety of private pension, health and welfare, and other fringe benefit plans. But the question needs to be raised whether these tendencies have not now been excessive as one considers the costs of private pension plans and as one recognizes that the tax system tends to encourage parties to put money into fringes rather than into wages where it might very well better serve the interests of workers and members. Simply stated, when funds put into the pay envelope are taxed at 30 percent or more, while moneys placed into certain fringes are tax free, the tax system is biasing the bargaining processes in an inflationary manner.

9. Various structural changes are required in collective bargaining that vary from industry to industry. One illustration may be sufficient. In the construction industry it is imperative that the owners set up a more viable working relationship with the contractors in order to strengthen the management side in collective bargaining. This has never been easy to do, since the contractors feel that the owners will interfere unduly in the bargaining process and seek to eliminate "contracting out." Yet, in the absence of such working relationships, owners often tip the scales in favor of the union side by encouraging particular contractors to work through a strike or to work overtime or by setting completion schedules and volumes of construction in an area which can have only inflationary consequences. In the same way, the jurisdictions of local unions or the group involved at the bargaining table may be inappropriate to represent the best long-run interests of the members in the area. International unions have a more general and long-term perspective than local negotiators and, thereby, should have larger role.

BUSINESS PRACTICES

10. One of the most significant areas of business decision-making have to do with the timing of investment decisions. The present inflationary period has been made very much worse by company decisions not to expand capacity substantially in such industries as steel, fertilizer, paper, cement, oil refining, and the like. The fraction of Gross National Product expended on net new plant and equipment investment has been lower for many years in the United States than among our industrialized competitors. The present purpose is to second guess those decisions. It is essential, rather, to explore ways in various industries to achieve a smoother flow of investment outlays over the future. This is a most difficult matter in the framework of the American legal system. Nonetheless, a more public discussion of these issues, a government-business discussion of the capacity needs of various industries, and an exploration of the means of financing such expansion seem to me necessary in the American economy of the future. It may very well be that in several industries, such as basic steel, the prices that would be required to attract new capital to the industry may be so high, and the inflationary consequences of such prices may be so great for the economy as a whole, that other means of financing modernization of capacity, such as various forms of tax and accelerated amortization and depreciation arrangements, may be preferred to constrain inflation. These issues require urgent and quantitative review.

11. There are occasions, also, when government and the business community can work cooperatively to solve problems which contribute to inflation. In the economy at most times, and particularly when operations are near capacity, there are various bottlenecks, areas of shortages and problems of efficiency and distribution within and among various sectors. At the present time special problems relating to railroad flat car availability, the production of steel for drag lines, the distribution of fertilizer, the production and distribution of roof bolts for underground coal mines, and the supply of ferrous scrap are illustrative. There is a role for the government in assisting to isolate and eliminate such inflationary bottlenecks by providing data, by bringing together representatives of sectors to make a contribution to the resolution of the problem, and by other nonmandatory means.

Both the Cost of Living Council and the National Commission on Productivity have been active in solving these problems, but both may be eliminated by Congressional inaction. The continued identification of a changing agenda of such problems and work with the sectors on these problems can make a contribution to expansion of output and supply without the imposition of mandatory controls and can reduce pressures which lead to Congressional demands for the reimposition of mandatory controls.

1. In the achievement of public objectives, the energy area is bound to be one that will remain for many years at the center of public concerns. In a whole host of ways it should be possible to encourage the generation of capacity and distribution in the energy field so as to minimize the impact upon price and inflation. In this field as in all stabilization matters, there is involved the delicate balancing of prices high enough to generate adequate supply but not so high that they represent an undue burden to consumers and an unnecessary impetus to inflation.

The Administration has proposed for the post controls period the establishment of a small Cabinet-level agency to work on some of these changes without the authority to impose mandatory wage and price controls in order to develop a less inflationary economy. These illustrations can be multiplied many times. Tomorrow and next year there will be new and different opportunities.

These activities are not to replace fiscal and monetary policy, nor are they to provide an excuse for less diligent macroeconomic policies to restrain inflation. These monitoring activities, designed to promote inflation-restraining structural changes, are to be supplementary and supportive. In some circumstances, however, they may be decisive. Dr. Arthur Okun has well made this point, although one need not accept his precise numbers: "Let me replay fiscal and monetary policy with perfect hindsight over the last two years and I don't think I could save you more than a couple of points on the rate of inflation. Let me replay agricultural policy and energy policy, however, and I'll give you five points." (*New York Times*, April 28, 1974, F. p. 24.)

One of the difficulties with the structural change policies here proposed lies in the failure of the discipline of economics itself. Since the 1930's the preoccupation of the core of economics has been with macroeconomic issues and models of the total economy. This area has attracted the best of the younger generation and is the center of attention in the journals and in scholarly writings. Even this body of contemporary theory is not very adequate in analyzing inflation. Abba Lerner stresses this point in the current Economic Literature in discussing Keynesian economics: "A new ball game has been established in which only direct influence on the wage unit by an incomes policy, as a kind of splint on the fractured price mechanism, can restore a free economy working at a satisfactory level of employment."

But this attention to macroeconomics has not helped the making of economic policy very much, in my view, or assisted in the concerns over individual sectors which now require attention. The academic and career field of industrial organization which treats market structures and pricing decisions, or the related fields of labor market analysis, have languished. The result is that, despite a greatly enlarged economics profession, there do not exist many first-rate specialists in microeconomic analysis equal to the challenge before us. There are only a few specialists in the academic world, in business or in government with working knowledge of the institutional structures and the operation of various industries and markets. This intellectual limitation has been a serious impediment in the generation of ideas to deal with sectoral and structural problems that are central to any operating concern with contemporary inflation.

The deficiency is even more serious since economists are not well trained, or adjusted, to pay attention to processes by which institutions change or are changed in this society. They know far too little about the ways in which managements, labor organization, other producer groups and government agencies in fact operate and respond to various economic and political pressures or opportunities. They specialize in predicting results on the basis of varying inputs with the institutions and market structures unchanged. But a major area for anti-inflation policy concerns the understanding and inducing of such changes.

A new breed of analysts and public policy makers is required, with more emphasis on understanding private decision-making, more emphasis upon detailed data, more concentration on problem sectors, and more resort to persuasion and cooperation. The government is deeply involved in private decision making, like it or not, and the government has many counters to play, apart from any mandatory wage and price controls, and our interest groups are ordinarily sufficiently willing to participate to warrant a major effort to develop less inflationary policies for all.

Mr. MUSKIE. I also ask unanimous consent to have printed in the RECORD an Associated Press wire report of a statement by Secretary Shultz, in a press conference the day before yesterday, in which he gave a clear endorsement to the concept of the Cost of Living Council Act as it was approved by the Senate.

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

STATEMENT BY SECRETARY SHULTZ

WASHINGTON.—Americans cannot expect any relief from record high interest rates until progress is made in the fight against inflation, says outgoing Treasury Secretary George P. Shultz.

But Shultz, whose last day in office will be Wednesday, says interest rates may just about have reached their peak.

Shultz commented after the interest rate for government short-term borrowing—in the form of treasury bills—hit a record 9.036 per cent Monday.

Shultz said interest rates, especially long-term rates, are being kept high by inflation and will not decline until progress is made in controlling inflation.

He indicated he agrees with policies of the Federal Reserve Board to moderate the growth of the Nation's money supply and keep a tight rein on the supply of credit, actions that are designed to restrain inflation but also help push interest rates upward.

Meanwhile, Labor Secretary Peter J. Brennan said Monday he does not see "on the horizon any immediate solution" to the inflation problem.

After meeting with President Nixon at the White House, Brennan told newsmen: "I don't think there is any clear program" within the administration to quickly curb inflation.

Shultz, 53, will leave the Nixon administration Wednesday when William E. Simon is sworn in as his successor at a White House ceremony.

The last member of the original Nixon Cabinet still with the administration, he has been Secretary of Labor, Director of the Office of Management and Budget and, since 1972, Secretary of the Treasury.

He told newsmen at a reception that, after careers in education and government, he expects to make his third—and probably last—career in business.

He said he has not yet made a final decision on what business to enter, but said he has received a number of good offers, job offers have included proposals from oil companies, but Shultz did not say whether these were the ones he was considering.

He said he wants a job that will allow him flexibility to continue some university work. He was Dean of the University of Chicago

Graduate School of Business when he joined the administration as Nixon's first Secretary of Labor in 1969.

He also made these other points:

The administration supports legislation now before the Senate to turn the Cost of Living Council into an inflation-monitoring agency with power to enforce price restraining commitments given by big business and to watch over wages and prices in the economy.

Simon is the logical choice to emerge as the administration's top economic adviser, although he acknowledged there was no reason the position had to go to the Deputy Treasury Secretary.

In addition to his other offices, Shultz has held the rank of the Assistant to the President for Economic Affairs, a title that will not go to Simon, at least at the beginning.

Mr. MUSKIE. May I close these informal remarks by saying that no one who sponsors this proposal sees it as a cure-all for inflation. Nor do we see it as much of a restraining effect on price and wage decisionmakers as standby controls would have had—but the Senate has made its decision to refuse to grant that authority.

So what we are discussing today is whether or not we ought to take this minimal step, whether or not it would be useful, whether or not it could position us to respond to the unanticipated events which the volatile forces at loose in our economy could well bring to pass.

Mr. ROTH. Mr. President, the soaring rate of inflation is this country's single most important problem. Therefore, I have been deeply concerned with the actions taken by the Senate Banking Committee to refuse to consider any legislation dealing with economic stabilization.

Over 6 weeks ago, I introduced two pieces of legislation—one to provide the President with standby controls authority, subject to a congressional veto; the second to establish a National Commission on Inflation to promote voluntary price and wage restraint.

I believed that if the Congress was to convince the American people, and the world, that we are serious about controlling inflation, we must provide the President with standby controls authority. However, I also thought that the Congress should have a say in any controls program. Toward that end, I introduced an amendment, which was sponsored by the distinguished Senator from Minnesota (Mr. HUMPHREY), to the standby controls amendment to provide for congressional oversight of the stabilization process.

This amendment, which was approved by the Senate on May 1, would allow the Congress to disapprove any Presidential order to reimpose mandatory controls on any one sector of the economy.

Although the standby controls amendment was ultimately rejected, I believe that such a program could have been successful with this congressional oversight process.

Now that the Senate has decided not to provide the President and the Congress with standby controls authority, I believe that the very least we can do is establish a Government body to promote voluntary price and wage restraint.

Two weeks ago, I inserted in the RECORD a letter I had received from Arthur Burns, the Chairman of the Board of Governors of the Federal Reserve System. In his letter, Dr. Burns expressed his support for my proposal to establish the National Commission on Inflation.

He wrote:

Our inflationary problem is so serious that we cannot afford to overlook any possible benefits that might be found in a new approach of this kind.

The amendment now before the Senate to establish an inflation monitoring agency is very similar to my proposal. The only major difference between the two proposals is that my proposal would insure greater public participation in the inflation fight by providing for 10 public members, 2 each from business, labor, agriculture, State and local government, and consumer interests.

Whatever the differences in the two proposals, their intent is the same, and I endorse the pending amendment.

This amendment would provide an ongoing center of Government vigilance to promote voluntary restraint, guard against abuses of economic power, and promote the level of confidence in our ability to solve inflation.

I am disappointed that the White House has not spoken out forcefully in support of the need to continue within the Federal Government an ongoing inflation monitoring agency.

But I applaud Cost of Living Council Director John Dunlop for his perseverance in his lonely struggle to persuade the Congress of that need.

Earlier this week, I contacted Dr. Dunlop and urged him to continue his fight to establish an inflation monitoring agency.

In his response, he wrote:

I fully agree that there is more to the problem of economic stabilization than the tools of monetary and fiscal policy encompass, and that an inflation monitoring agency would serve an extremely useful function in the overall struggle against inflation.

I ask unanimous consent that at the end of my statement Dr. Dunlop's letter be printed in full.

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

(See exhibit 1.)

Mr. ROTH. Mr. President, in my opinion, one of the most important functions of the proposed agency would be to spotlight for public scrutiny any price or wage increase that contributes substantially to inflationary pressures. If this is done effectively, the glare of public opinion could dampen many inflationary price and wage increases.

This amendment would also provide the inflation agency with the same functions that my National Commission on Inflation would have had.

These functions are:

Identify and evaluate inflationary problems by monitoring the economy as a whole, including such matters as wages, costs, productivity, prices, sales, profits, imports, and exports.

Evaluate and change Federal policies and programs which have adverse effects on supply and cause increases in prices.

Review industrial capacity, demand and supply in various sectors of the economy to encourage price restraint.

Improve wage and price data bases for the various sectors of the economy to improve collective bargaining.

Focus attention on the need to increase productivity in both the public and private sectors of the economy.

We have all heard that mandatory controls have the potential to cause economic distortions and create shortages. But, we have not emphasized the fact that economic controls have had a restraining influence on inflationary expectations, which can be as harmful as inflation itself.

A Government monitoring agency would not have mandatory control authority, but it would serve to dampen the economy's inflationary expectations.

By completely abandoning the Government's anti-inflation mechanism, I believe that we will be dealing a damaging blow to the consumer's inflationary expectations. In my judgment, these expectations have caused more harm to our economy than mandatory controls ever did.

The inflationary expectations have become so persuasive that Americans not only talk freely about South American double-digit inflation, but they expect it.

I am fearful that these inflationary expectations, coupled with the upcoming congressional elections, could lead to intense pressures to reimpose strict wage-price controls. In order to avoid these pressures, we must provide a vehicle for strong public jawboning, jawboning that is backed up by a highly visible Government entity.

I am a firm believer in the free market system, but our economy is too complex and too interrelated to rule out any Government action as we move from mandatory controls.

There is a need today for a single Government focus to monitor the economy, to promote voluntary restraint and to encourage increases in supply. In short, there is a vital need to use the resources of the Federal Government as an institutional focus to coordinate this Nation's fight against inflation.

If the Congress throws up its hands and walks away from our No. 1 problem, how can we expect the American consumer to have any confidence in our economic and political systems?

How can we expect labor to cooperate in wage settlements, and ask business to hold down prices, if we turn our backs on inflation?

If the Federal Government does not use its influence and leadership in the fight against inflation, who will?

EXHIBIT 1

COST OF LIVING COUNCIL,
Washington, D.C., May 9, 1974.

Hon. WILLIAM V. ROTH, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ROTH: Thank you for your recent letter regarding the need to continue within the Federal Government a central focus on the problem of inflation.

I have been aware of your concern with this issue and of the initiative which you took last month in sponsoring a joint resolution to establish a National Commission on Inflation.

As you know, I fully agree that there is more to the problem of economic stabilization than the tools of monetary and fiscal policy encompass, and that an inflation-

monitoring agency would serve an extremely useful function in the overall struggle against inflation.

Despite the expiration of the Economic Stabilization Act, the Administration still seeks statutory authority for an on-going inflation-monitoring agency. Such an agency would be responsible for seeing to it that the government, in its own activities, takes into account both the direct and indirect inflationary potential of its actions. In addition, the agency would work with the private sector to increase capacity and productivity and to elicit voluntary wage and price restraint where restraint is clearly in order.

Your early recognition of the need to continue such activities in the fight against inflation, and your continued support for legislation to provide an institutional focus for those activities, are greatly appreciated.

Sincerely,

JOHN T. DUNLOP.

Mr. JAVITS. Mr. President, I think there is a somewhat new situation today in the speech of Dr. Dunlop. This morning, we had before us, in a joint hearing of the Judiciary Committee and the Government Operations Committee, the Chairman of the Council of Economic Advisers, Dr. Stein, who also espoused the position that some monitoring agency was essential in respect to the future policy of this Government; that coupled with that, there should be emphasis upon Dr. Dunlop's prediction that inflation would be worse in the months ahead than it has been up to now, in a material way, giving figures.

I should like to ask a question of the principal author of the amendment in which I have joined. There is some concern among Members of this side, perhaps also on the other side, that a new agency established to deal with this matter would not simply be a prolongation of the Cost of Living Council, on the theory that the Cost of Living Council is thoroughly control-oriented, both in wages and prices, and, therefore, may unwittingly—but nonetheless may—be so dominated in its activities by its previous history that it would tend simply to be a conduit toward a situation which would demand renewal of price and wage controls.

I know the Senator from Maine; I know myself and others who are associated in this effort. I know we are acting in the utmost good faith. The Senator has repudiated the concept of standby controls. We will abide by the will of the Senate, not only in letter—which of course we must—but also in spirit. So I ask the Senator this question: May it be understood, and if desirable—and I think it is desirable—could it be locked in by a very brief amendment, because the Senator has taken care of all the mechanics of transferring personnel, papers, and so forth, in section 209 of his amendment, that we expect this to be a new agency established by the President? That will mean a revisiting of the advice and consent of the Senate by one of the five members provided in section 209(d) and Presidential appointments of the other four, so that the Senate may have a feeling of confidence that this is truly an agency which will be put together for the specific purpose which will be allowed by what remains of this amendment—to wit, the monitoring purpose.

Mr. MUSKIE. Yes, the Senator and I have discussed this matter informally. The language of the bill does not mandate a continuance of the Cost of Living Council as such, or even a continuance of its name. But I would be more than receptive to an amendment which would further clarify the point along the lines suggested by the Senator from New York.

Mr. JAVITS. I thank the Senator. I shall present the amendment whenever the Senator feels that the time is propitious, as I do not want to get off on something else until the Senator is ready. I have such an amendment and will submit it.

Mr. MUSKIE. I thank the Senator.

Mr. TOWER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legistlative clerk proceeded to call the roll.

Mr. JAVITS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. JAVITS. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The amendment was read, as follows:

At the appropriate place in the bill, add the following:

"SEC. . The Cost of Living Council shall not continue in operation after June 30, 1974, but the authority conferred on the President under title II of this Act shall be administered by a new agency established by the President."

Mr. JAVITS. Mr. President, I am ready to vote. I understand there is no problem about the amendment.

Mr. PROXMIRE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. PROXMIRE. Mr. President, will a vote on the Javits amendment to the amendment preclude a further amendment with respect to personnel or with respect to the size of the agency or composition of the agency in any way?

The PRESIDING OFFICER. It would not preclude adding to the language. It would not.

Mr. PROXMIRE. With respect to personnel and limiting the size of the agency?

The PRESIDING OFFICER. It would not preclude the Senator.

Mr. PROXMIRE. I thank the Chair.

Mr. JAVITS. Mr. President, this is an amendment added to the bill. I understand the Senator from Maine (Mr. MUSKIE) had a matter that has been added, so we are adding a new matter.

Mr. PROXMIRE. I understand, but I understand the Muskie amendment is in the bill. I wanted to be sure there is no complication.

The PRESIDING OFFICER. The question is on agreeing to the amendment. (Putting the question.)

The amendment was agreed to.

Mr. JAVITS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. PASTORE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. TOWER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. TOWER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. TOWER. Mr. President, I move that all after the enacting clause of S. 2986 be stricken; and I send to the desk an amendment in the nature of a substitute.

The PRESIDING OFFICER. The amendment will be stated.

The amendment was stated as follows:

Mr. TOWER proposes an amendment in the nature of a substitute, as follows:

In lieu of the matter proposed to be inserted by the Committee amendment, insert the following: That section 210 of the International Economic Policy Act of 1972 is amended to read as follows:

"AUTHORIZATION

"SEC. 210. To carry out the provisions of this title, there are authorized to be appropriated not to exceed $3,331,000 prior to June 30, 1967, and not to exceed $100,000 for the fiscal year ending June 30, 1977.".

TITLE II—ECONOMIC MONITORING ESTABLISHMENT

SEC. 201. There is established an Economic Monitoring Council (hereinafter referred to as the "Council") which shall consist of the Secretary of the Treasury, who shall be the Chairman of the Council, the Chairman of the Council of Economic Advisers, and the Director of the Office of Management and Budget.

FUNCTION

SEC. 202. It shall be the function of the Council, in cooperation with public and private agencies, to monitor the economy as a whole.

Mr. MUSKIE. Mr. President, does the Senator have a copy of the amendment in the nature of a substitute?

Mr. TOWER. We are trying to get copies made now.

Mr. MUSKIE. I thank the Senator.

Mr. TOWER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

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

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

Mr. TOWER. Mr. President, the substitute that I have offered changes the authorization portion of the original bill. Rather than authorizing $1,581,000 for the fiscal year ending June 30, 1975, and $1,750,000 for the fiscal year ending June 30, 1976, that has been changed so it now reads "to be appropriated, not to exceed $3,331,000 prior to June 30, 1976," making it a biennial authorization, and not to exceed $100,000 for the fiscal year ending June 30, 1977.

In addition, there is a second title which establishes an Economic Monitor-

ing Council which consists of the Secretary of the Treasury, who shall be the Chairman, the Chairman of the Council of Economic Advisers, and the Director of the Office of Management and Budget.

Its function would be, in cooperation with public and private agencies, to monitor the economy as a whole.

If this substitute is adopted, Mr. President, it is open to further amendment, and I would intend to propose some amendments to that which would perhaps further flesh out the entire monitoring authorization. It would provide for a considerable number of things.

So I think the first step is to adopt my substitute, and I think amendments will be offered that will do the following:

Declare a congressional finding that inflation remains a serious problem and that the Federal Government should continue to focus attention on inflation and the need to increase production and productive capacity.

It would require a review of wage and price developments in the economy.

It would allow the Council to request information from the private sector and from other Federal agencies.

It would allow the President to enforce decontrol commitments, with commitments made prior to May 1 of this year being made public 30 days after enactment of this bill.

It would allow the Council to issue subpenas, but only for information necessary to monitor a decontrol commitment.

It would authorize the Council to appoint a staff consisting of 1 executive director, 7 professionals in supergrades, with a total professional staff of not to exceed 28. The idea here is to avoid the establishment of a big bureaucracy that would probably be control-oriented, that would have power to get proprietary information or confidential information on behalf of trade unions, and prevent this agency from becoming a Frankenstein monster that would have perhaps an opposite effect from what it was designed to do.

The idea is to reduce the anticipatory hazard involved in the bill as it now stands, the anticipatory hazard being that with the expectation of the imposition of controls, wage and price bases would be brought up so that when that awful day came, there would be a higher base from which a business organization or a trade union could proceed.

Mr. President, I suggest the absence of a quorum——

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. PROXMIRE. Mr. President, I congratulate the Senator from Texas. I think he is on exactly the right track. When we passed the original bill several years ago, one of the fundamental mistakes that was made was in giving the President unlimited power over wages and prices. Even Dr. Arthur Burns, Chairman of the Federal Reserve Board, who is a strong friend of the President, argued that this was too much power to give to any man.

There are few, if any, economic powers—I cannot think of any—greater than the right to determine the level of prices and the level of wages. It is an immense power, and I think it is of the greatest importance to circumscribe it.

The last part of the amendment we will vote on, as I understand it, provides for a budget limitation. This is most desirable, because Congress has the power of the purse. If we simply do what is done in the amendment before us, and it is unamended, we give the President discretion to make whatever appointments he wants and to provide virtually whatever budget he wishes to provide.

The merit of the last part of the amendment is that there is a limit of $1,000,000, and the Senator limits the time. It seems to me this is the responsible, wise, careful way in which the Senate should proceed on this matter.

So I do hope that the Senate will see its way clear to support the Tower amendment.

I have an amendment to the Tower amendment before we vote on it. I hope we have a chance to vote on it, but I think other Senators may wish to discuss this amendment pro and con.

I think it has the value and merit that the Muskie-Stevenson-Johnston proposals have. It provides for a monitoring agency. It would enable the country to know what is going on in these areas. But it means that we would have some control, we would have some limitation, on the size of the agency. As the Senator from Texas has described it, he would circumscribe the monitoring power in such a way that it could not be used the way the wage and price controls have been used before—primarily for controlling wages, and not controlling prices.

For these reasons, I hope the Tower amendment is adopted. I will support it. When the debate on that amendment is completed, I have an amendment to the amendment.

Mr. MUSKIE. Mr. President, I have not had a chance to study the proposed amendment, which I saw just a few moments ago. I think I might begin by making a few observations.

First of all, the Senate voted several times last week, with the result ultimately, after 2 or 2½ hours, of approving the so-called Muskie amendment as title II of the bill. Upsetting that result cannot be achieved by a motion to strike. The rules are clear on that point. The Senate worked its will, adopted the Muskie amendment as amended. It is now in S. 2986, and it cannot be deleted by a motion to strike.

As I examine this one-page amendment, it is simply an effort to get around that prohibition. This is nothing more than a motion to strike in disguise, and I would hope that the Senate would not concur in any such devious attempt to upset what the Senate has already done pursuant to the rules.

There is nothing substantive in this amendment with respect to an economic monitoring establishment. There are only seven lines that do nothing to spell out authority or policy or the objectives of an economic monitoring agency. There is no authorization for funding.

It looks as though it were thrown together in a moment or two in pursuit of the effort to strike the provision from the bill. To adopt it would be a meaningless gesture on the part of the Senate. There is no substance in it.

The Muskie amendment which the Senate adopted last week was a carefully drawn, thought-out, legislative proposal: the objectives spelled out in detail, the authority spelled out in detail, and funding provided.

It is a positive, constructive, good-faith measure to arm this country with an agency in a position to do something about inflation.

This amendment of the Senator from Texas is an attempt to get around the rules and to strike from the bill what the Senate has already approved.

In due course, I will move to lay this amendment on the table. I do not think it is deserving of any more treatment than that.

Mr. STEVENSON. Mr. President, will the Senator yield?

Mr. MUSKIE. Yes, I yield to the distinguished Senator from Illinois, reserving my right to the floor.

Mr. STEVENSON. Mr. President, the Senator from Maine has pointed out that this amendment, this motion, is an attempt to accomplish by indirection what cannot be accomplished under the rules. But it is an attempt also to do something more.

This amendment in the nature of a substitute, offered by the Senator from Texas, also changes the authorization for the Council on International Economic Policy. It changes the authorizations for fiscal years 1975 and 1976 and rolls them up into one authorization for the entire period, and changes the amount. It also establishes an authorization for fiscal 1977. There was no such provision of any kind in the underlying bill.

This amendment, where it is not a devious attempt to rework the will of the Senate, is an attempt to rework the will of the Committee on Banking, Housing, and Urban Affairs. The Senate Banking Committee, unanimously, with a long record behind it, recommended authorizations for 1975 and 1976, but nothing for 1977.

So in addition to the arguments made by the Senator from Maine (Mr. (MUSKIE), I point out that without any warrant in the record, this amendment also makes changes in the authorizations for the Council on International Economic Policy.

For that reason, too, I urge the Senate to support the motion to table that will be offered by the Senator from Maine.

Mr. ROTH. Mr. President, will the Senator from Maine yield?

Mr. MUSKIE. I yield to the Senator from Delaware, provided I do not lose my right to the floor.

Mr. ROTH. Mr. President, I am opposed to the amendment proposed by the Senator from Texas. I should like to point out two reasons why I oppose the amendment.

First of all, sometime ago I introduced legislation to create a National Commission on Inflation. As a part of my proposal, I provided for the membership of

a number of people who are included in the amendment of the Senator from Texas. I think it would be wise to have a commission that included the Secretary of the Treasury, as well as the Chairman of the Council on Economic Advisers and the Chairman of the Board of Governors of the Federal Reserve System.

However, I further proposed that on this commission there should be representation not only from business and labor, but also from agriculture interests, from State and local governments, and also from the consumer interests. I think that if we try to fight our way through the inflation battle, it is vital that these groups be heard from.

This proposed amendment would strip away the staff that is necessary to monitor the economy effectively.

My second concern about the proposed amendment is that it does not provide for public hearings. If we are going to be at all effective in putting restraints on inflation, it is absolutely imperative that the monitoring agency has the right to hold public hearings. By doing so, I hope that business and labor will be responsible in their actions in the future; and if they are not, the public and the media will be alerted to their actions.

For these reasons, I join those who oppose the amendment.

Mr. JOHNSTON. Mr. President, will the Senator from Maine yield?

Mr. MUSKIE. I yield to the distinguished Senator from Louisiana, preserving my right to the floor.

Mr. JOHNSTON. Mr. President, I should like to point out that the purpose of this one quickie amendment is not only to gut the whole amendment, but also to eliminate completely from the Muskie-Stevenson-Johnston amendment the authority to enforce the amendment. There are 17 major industries, with 300 major firms in this country, all of which have made commitments voluntarily designed to meet the problems of those industries. They range from automobiles to petrochemicals to aluminum, furniture, the retail trade, rubber, and textiles. They are major industries in the country that have made voluntary commitments, not only relative to prices, but also relative to production capacity and to exports.

If we should repeal that provision now by this one-page, quickie amendment, it would put in very serious jeopardy one of the most effective inflation fighters that we have. That would be a sad mistake.

Mr. BROCK. Mr. President, will the Senator from Maine yield?

Mr. MUSKIE. Yes, I yield to the Senator from Tennessee without losing my right to the floor.

Mr. BROCK. Mr. President, I wonder if the Senator would indicate whether he could support the Tower amendment if it were modified to include the acquisition of economic information and the enforcement of decontrol commitments, to which he has referred.

Mr. JOHNSTON. Mr. President, I would say to the distinguished Senator from Tennessee that for my own part, as well as for the other cosponsors of the amendment, it would greatly improve the Tower amendment, but it would still fall short of the mark.

Mr. BROCK. In what areas should it be additionally altered?

Mr. JOHNSTON. I think the proper question is, In what areas should the original Muskie-Stevenson-Johnston amendment be altered? On this amendment, on which the Senate has carefully worked and on which the Committee on Stabilization and Production has carefully worked after careful hearings, the burden is particularly on those who wish to amend it.

I have heard no argument of substance to change it, other than that the effect on the Tower amendment is not only to order that done; but those who oppose the Tower amendment seek to change the personnel. Why should we change the personnel when Dr. Dunlop and his associates effected these 300 separate agreements? Should they not be the ones, the people who worked on the bill, be the ones to make the changes and to do the actual enforcement?

I see no affirmative reasons to make the change, but I see affirmative reasons for keeping the amendment in.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. MUSKIE. I yield to the distinguished Senator from Texas, without losing my right to the floor.

Mr. TOWER. With the amendment of the Senator from New York having been adopted, the Cost of Living Council will go out of business at the end of June anyway; so that will not be around to enforce anything.

Mr. JOHNSTON. If I may reply, the Cost of Living Council name never found its way into the statutes anyway. Under the Economic Stabilization Act, the President had authority under the amendment. I think the intent and purpose, as I understood it, of the Javits amendment, was to indicate a new direction for this group; and that is not to be, as he said, oriented toward the enforcement of wage and price controls, which now are out the window. There is no reason to change all the personnel after they are out the window. I concur in that change. There is no reason to change all the personnel and to put drastic limitations on the amount of the fund.

Mr. MUSKIE. Mr. President, may I respond now to the distinguished Senator from Tennessee? All the authorities, political and economic, which the Senator suggests adding to the Tower amendment, are already included in my amendment which is now part of this bill. It was well worked out and was adopted by the Senate.

So what the Senator is proposing is to start over from ground level and rebuild this structure, brick by brick.

I think the Senator's questions reveal that it is to serve as a substitute for a motion to strike. The Muskie amendment as adopted by the Senate last week is a positive grant of authority limited to enforcement and monitoring—monitoring which is defined in ways that give Congress and the Senate a clear notion of what the agency would do. It is spelled out in a way that is not spelled out in the so-called Tower amendment.

I do not think that this measure can be reduced without destroying it. I think we ought to treat this Tower amendment for what it is, a disguised motion to strike, and I think we ought to have a vote on it. I am prepared, unless there is further substantive discussion, to offer a motion to table the Tower amendment.

Mr. BROCK. Mr. President, will the Senator withhold that and yield for a brief comment?

Mr. MUSKIE. I am happy to, provided I do not lose my right to the floor.

Mr. BROCK. I have no desire whatever to mislead the Senator from Maine as to my intention, which is to oppose any continuation of wage and price control authority. The Senator from Tennessee, I think, has adequately expressed himself on that subject before the Senate.

Mr. MUSKIE. As between leaving the drafting of the amendment to one who believes in it or one who does not, I would prefer to have the proposal written by someone who believes. Neither the Senator from Tennessee nor the Senator from Texas believes in this effort. Their effort is not disguised at all: it is plainly an effort to gut it and to kill it. That is why it is important to reveal the question posed by the Tower amendment for what it is. I take it the Senator from Tennessee does not wish to disguise it; he does not wish to continue the authority of or improve the agency.

Mr. BROCK. The Senator from Tennessee is in a difficult position, because he would have to vote either on a choice of categorical opposition, as in the past, or take the chance that if the Tower amendment should fail, the amendment of the Senator from Maine would remain, and then the Senator from Tennessee would be faced with the choice of the lesser of two evils.

My posture in this debate is not to change my own support of a free market and opposition to any control formula, but simply to say that if we are going to have controls, I would like very much to have them as limited as humanly possible. I would like to see as much improvement as can be obtained.

What I was asking the Senator from Louisiana was that if the Tower amendment, as compared to what it is now, were changed, and if it included sufficient economic information-gathering potential, if it contained the opportunity for decontrol or for maintenance of decontrol commitments, if it contained subpena power to back up those commitments, if it contained adequate staffing provisions, what else would be necessary for the Senator's purpose?

Mr. MUSKIE. I think the best answer to the Senator's question is the Muskie amendment as adopted last week. That is what is necessary, in the judgment of the sponsors, and I think it fills out all the gaps of the proposed Tower amendment.

That is the best answer I can offer.

Here we have the purpose of this economic monitoring establishment which the Tower amendment would create. I read section 202:

It shall be the function of the Council, in cooperation with public and private agencies, to monitor the economy as a whole.

What does that mean? What tools are they going to have to do it with? What authorization is there for funding to provide personnel and staff, and what does monitoring mean? Is it a word of art? Is there a definition of it? What kind of authority does it grant?

This is not a substantive proposal. It is a procedural effort to get around the prohibition on a motion to strike.

Mr. TOWER. Mr. President, if the Senator will yield for a comment without losing his right to the floor, may I say the Senator from Texas is fully prepared to accept, or at least consider, amendments offered to his substitute that might improve it.

Mr. BROCK. The question of the Senator from Tennessee, if the Senator will yield further, is whether or not these amendments would in fact improve the Tower amendment. They might improve it in terms of obtaining votes, but I am not sure they would in terms of effect.

I thank the Senator for yielding.

Mr. MUSKIE. Mr. President, I ask unanimous consent that I may, for the purpose of obtaining the yeas and nays, suggest the absence of a quorum without losing my right to the floor.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. TOWER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. TOWER. I ask my friend from Maine if he will yield to me without losing his right to the floor so that I might send to the desk a modification of my substitute amendment.

Mr. MUSKIE. I yield for that purpose. May I have a copy of the Senator's new amendment?

The PRESIDING OFFICER. The clerk will read the amendment as modified.

The assistant legislative clerk proceeded to read the amendment.

Mr. TOWER's amendment, as modified, is as follows:

In lieu of the matter proposed to be inserted by the Committee amendment, insert the following: That section 210 of the International Economic Policy Act of 1972 is amended to read as follows:

"AUTHORIZATION

"SEC. 210. To carry out the provisions of this title, there are authorized to be appropriated not to exceed $3,331,000 prior to June 30, 1976, and not to exceed $100,000 for the fiscal year ending June 30, 1977.".

TITLE II—ECONOMIC MONITORING ESTABLISHMENT

SEC. 201. There is established an Economic Monitoring Council (hereinafter referred to as the "Council") which shall consist of the Secretary of the Treasury, who shall be the Chairman of the Council, the Chairman of the Council of Economic Advisers, and the Director of the Office of Management and Budget.

FUNCTION

SEC. 202. It shall be the function of the Council, in cooperation with public and private agencies, to monitor the economy as a whole.

At the end of the matter proposed to be inserted, add the following:

ECONOMIC INFORMATION

SEC. 203. (a) The Council is authorized to request, and to enter into voluntary agreements providing for the furnishing of, such economic information as may be necessary to carry out its function under section 202.

(b) Information obtained under this section which contains a trade secret or other matter referred to in section 1905 of title 18, United States Code, shall be considered confidential for purposes of that section.

ENFORCEMENT OF DECONTROL COMMITMENTS

SEC. 204. (a) Notwithstanding the expiration of the Economic Stabilization Act of 1970—

(1) any commitment made or given as a condition of, in connection with, in exchange for, or in the course of decontrol or the grant of other relief from or under such Act, prior to May 1, 1974, shall continue in full force and effect; and

(2) the authority and provisions of section 203 (relating to Presidential control authority), 208 (relating to sanctions), 209 (relating to injunctions and other relief), and 211 (relating to judicial review) of such Act (as in effect on April 30, 1974) may be invoked against, and shall apply to, any person who violates any commitment made or given as a condition of, in connection with, in exchange for, or in the course of decontrol or the grant of other relief to such person from or under such Act, prior to May 1, 1974.

(b) The Council shall make public commitments entered into in connection with decontrol or the grant of other relief from the Economic Stabilization Act of 1970 prior to May 1, 1974.

(c) To the extent necessary to monitor or enforce a decontrol commitment under subsection (a), the Chairman of the Council may, after notice and an opportunity for a hearing, sign and issue subpenas for the attendance and testimony of any person who made or gave such a commitment, for the production of relevant books, papers, and other documents by such person. Persons summoned under the provisions of this subsection shall be paid the same fees and mileage as are paid to witnesses in the courts of the United States. In case of refusal to obey a subpena served upon any person under the provisions of this section, the Chairman, or his delegate, may request the Attorney General to seek the aid of the United States district court for any district in which such person is found to compel that person, after notice, to appear and give testimony, or to appear and produce documents before the agency.

At the end of the matter proposed to be inserted, add the following:

STAFF

SEC. 205. The Council is authorized to appoint—

(1) an executive director who shall be compensated at the rate provided for an individual occupying a position under level IV of the Executive Schedule under section 5315 of title 5, United States Code, and who shall be the chief administrative officer of the Council;

(2) not to exceed 7 individuals who may be compensated at rates not to exceed the highest rate provided for Grade 18 of the General Schedule under section 5332 of title 5, United States Code; and

(3) not to exceed 20 individuals who may be compensated at rates not to exceed the highest rate provided for Grade 15 of such General Schedule.

EXPIRATION

SEC. 206. The authority under this title expires at midnight, April 30, 1976, but such expiration shall not affect any action or pending proceeding, civil or criminal, not finally determined on such date, nor any action or proceeding based upon any act committed prior to May 1, 1976.

AUTHORIZATION

SEC. 207. There are authorized to be appropriated not to exceed $1,000,000 to carry out the provisions of this title.

Mr. TOWER. Mr. President, if the Senator will yield for further explanation, these were amendments that had been prepared for others to offer to my substitute, and I simply add here, as a modification of my substitute, the texts of those two amendments. I so modify my substitute amendment.

The PRESIDING OFFICER. The Senator's amendment is so modified.

Mr. MUSKIE. Mr. President, we have here four pages of additions which had not been brought to our attention before. I can describe them in just one way: they are an attempt to improve the disguise. But the essential purpose is still the same: to do by indirection what the sponsor of this amendment cannot do directly. Under the rules he cannot move to strike the Muskie amendment, which the Senate wrote into the bill last week.

I see no reason to go up that hill and down it again. Last week the distinguished Senator from Texas, in an effort to cut off all debate, triggered a series of votes with minimal debate, a series of votes designed to kill this proposal, and after seven rollcall votes—seven, Mr. President—the Senate finally decided to approve the addition of the Muskie amendment to the Stevenson bill, S. 2986.

The only purpose of this proposal, notwithstanding its additional disguise—I am not sure it is even an improved disguise—is to undertake to strike the Muskie amendment, and to substitute something for it which no one has had a chance to look at or evaluate.

We want nothing more in the bill than was contained in the Muskie amendment last week, nor any additions to the authorities created by that amendment. Those authorities were carefully designed and discussed. There is no need for modification of the basic authority. So this, again, is another disguise.

Mr. President, I am not sure there are enough Senators in the Chamber at the moment to get the yeas and nays, but let me test it. I am going to make a motion to table and I would like to ask for the yeas and nays.

Mr. TOWER. Mr. President, has the motion to table been made?

The PRESIDING OFFICER (Mr. HELMS). It has not yet been made. It is not a debatable motion.

Mr. MUSKIE. Mr. President, I make the motion to table and I ask for the yeas and nays.

There was not a sufficient second.

Mr. MUSKIE. Mr. President, I suggest the absence of a quorum, without losing my right to the floor.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MUSKIE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. MUSKIE. Mr. President, I ask for the yeas and nays on the motion to table.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Maine (Mr. MUSKIE) to table the amendment of the Senator from Texas (Mr. TOWER) as modified.

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from Arkansas (Mr. FULBRIGHT), the Senator from Indiana (Mr. BAYH), the Senator from Louisiana (Mr. LONG), the Senator from Michigan (Mr. HART), and the Senator from Arkansas (Mr. MCCLELLAN) are necessarily absent.

I further announce that the Senator from Florida (Mr. CHILES), and the Senator from Louisiana (Mr. LONG), are absent on official business.

Mr. GRIFFIN. I announce that the Senator from Oklahoma (Mr. BELLMON), the Senator from New Jersey (Mr. CASE), the Senator from Colorado (Mr. DOMINICK), and the Senator from Arizona (Mr. GOLDWATER) are necessarily absent.

I further announce that, if present and voting, the Senator from Colorado (Mr. DOMINICK) would vote "nay."

The result was announced—yeas 43, nays 47, as follows:

[No. 187 Leg.]

YEAS—43

Bentsen	Inouye	Muskie
Bible	Jackson	Nelson
Biden	Javits	Pastore
Byrd, Robert C.	Johnston	Pell
Cannon	Kennedy	Randolph
Church	Magnuson	Ribicoff
Clark	Mansfield	Roth
Cranston	Mathias	Stennis
Gravel	McGee	Stevenson
Haskell	McGovern	Symington
Hathaway	McIntyre	Talmadge
Hollings	Metzenbaum	Tunney
Huddleston	Mondale	Williams
Hughes	Montoya	
Humphrey	Moss	

NAYS—47

Abourezk	Domenici	Pearson
Aiken	Eagleton	Percy
Allen	Eastland	Proxmire
Baker	Ervin	Schweiker
Bartlett	Fannin	Scott, Hugh
Beall	Fong	Scott, William L.
Bennett	Griffin	Sparkman
Brock	Gurney	Stafford
Brooke	Hansen	Stevens
Buckley	Hartke	Taft
Burdick	Hatfield	Thurmond
Byrd, Harry F., Jr.	Helms	Tower
Cook	Hruska	Weicker
Cotton	McClure	Young
Curtis	Metcalf	
Dole	Nunn	
	Packwood	

NOT VOTING—10

Bayh	Dominick	Long
Bellmon	Fulbright	McClellan
Case	Goldwater	
Chiles	Hart	

So the motion to table was rejected.

Mr. PROXMIRE. Mr. President, I send to the desk an amendment and ask that it be stated. This is an amendment to the Tower amendment.

The PRESIDING OFFICER (Mr. HANSEN). The amendment will be stated.

The amendment was read as follows:

At the end of the language proposed to be inserted by the Senator from Texas, insert the following:

"SEC. . Expenditures and net lending during the fiscal year ending June 30, 1975, under the budget of the United States Government shall not exceed $295,000,000,000."

Mr. PASTORE. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order. The Senate is not in order.

The Senator may proceed.

Mr. PROXMIRE. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second. The yeas and nays are ordered.

Mr. BROCK. Mr. President, may I ask that the amendment be restated?

Mr. PROXMIRE. Mr. President, this amendment would establish a ceiling of $295 billion on spending for fiscal year 1975. It seems to me this is the most effective anti-inflation action Congress can take. It is well within our power and I believe that other action like monitoring is very feeble compared with this.

This is a cut of $9 billion in the spending proposed in the President's budget. Instead of a whopping $30 billion or 11 percent increase in Federal spending proposed by the President, my amendment would allow a modest increase of $20 billion, or 7.5 percent above the spending level for fiscal year 1974.

During the debate on extending wage and price controls I heard it said that Congress must do something to fight inflation; that we cannot permit the control program to expire; that we must exercise responsibility. I think monitoring may do some good and both the Tower amendment and the Muskie amendment do provide monitoring. There is a difference in the force and effect of the Tower proposal, but I do support it.

Regardless of how strong monitoring provisions are, all they can do is watch prices go up. Maybe they can recommend action and subsequently Congress may decide to act if the President urges it to do so, but it is not likely to do so and even if controls are put into effect we have been down that road for 2½ years and we know that it does not work. We are suffering from inflation that is three times as bad as when controls began.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. PASTORE. Who will decide where the $9 billion is to be cut? The administration?

Mr. PROXMIRE. We still have time to act on our appropriations and, as the Senator knows, we have the authority to do so before adjournment.

Mr. PASTORE. I know we have the authority to appropriate, but not to spend the money. Much of the money already is in the pipeline. Who is going to decide where to cut and on what program? Are we going to take it out of health, education, or the military? I would like to know.

Mr. PROXMIRE. If Congress is going to pass a series of appropriations that call for $304 billion or $310 billion, the President will have to make a decision.

Mr. PASTORE. That is what I was afraid of.

Mr. PROXMIRE. But, on the other hand, if Congress would exercise the discipline it should, then it is up to Congress.

Mr. PASTORE. But the Senator knows when we did it last time the impoundment was in the programs favorable to Congress. They never cut the military; we always have cuts in programs for health, education, and things of that kind.

While the idea is a good one, the direction of it and the right of command will be in the wrong hands.

Mr. PROXMIRE. That is entirely up to us. If we are foolish enough, if we are wasteful enough, if we are so irresponsible as not to limit our spending to $295 billion that would be true. It is a big increase in the budget, but the Senator is correct when he says that if we do not do it, the President will determine where it will be cut.

Mr. PASTORE. That is correct.

Mr. PROXMIRE. We have to pass a ceiling sometime this year, I hope and expect, and if we are going to have effective congressional action against inflation, here is where it should be.

It is difficult for us to take the position that we are opposed to inflation and concerned about the consumer, and pass legislation that provides for monitoring prices, and then go ahead and pass a budget which is $11, $12, $15, $20 billion out of balance. Obviously we are being either hypocritical or stupid.

Mr. BROCK. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. BROCK. I would like to make two points in support of the Senator, and I very much appreciate his offering the amendment.

First, because he is offering it prior to the appropriating process, Congress can control national priorities by making appropriations in accordance with the stated total amount. It is up to Congress, if we want to make the decision on the allocation of our resources, which must be done at this time. If we pass major increases in the budget, the President will have to make his own cuts, but it is up to us if we want to bite the bullet and make the decision ourselves. That is why the Senator is offering this proposal before rather than after appropriating.

The Senator would cut $9 billion from the budget. The budget as submitted to the Congress had a $9 billion deficit, and I think the Senator's figure is highly appropriate, because, for the first time in my life, we have a double-digit inflation. If we are going to keep inflation under control we simply cannot have inflationary budgets. The Senator's amendment would address that issue and bring it into line. I appreciate his effort, and I support the amendment.

Mr. PROXMIRE. Mr. President, that is an excellent point. This amendment

would virtually wipe out the deficit that we received in the budget submitted to us by the President.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. MAGNUSON. The Senator is a member of the Appropriations Committee. What makes him think we are not going to go under the budget?

Mr. PROXMIRE. I do not know.

Mr. MAGNUSON. We have gone $22 billion under the budget since the Nixon administration has been in office. It was $6.5 billion last year. Our present figures indicate that it will be close to $7 billion under the budget this year. I do not know what all this fuss is about the Appropriations Committee.

Mr. PROXMIRE. I agree wholeheartedly with the Senator, but the fact is that, one way or the other, we end up spending far more than that. Last year the President requested a $268 billion budget. But this Federal Government will spend about $274 billion in fiscal 1974.

Mr. MAGNUSON. That is because they are spending money that was withheld and that was appropriated previously in other budgets. They are letting it loose.

Mr. PROXMIRE. As the Senator knows, the Appropriations Committee is not the only committee that has spending authority. The spending ought to be limited. The Finance Committee and other committees that have spending authority.

Mr. MAGNUSON. We have the implication, all the way from the White House to business and others, that the Appropriation Committees of the Congress have not been fiscally responsible.

Mr. PROXMIRE. I share the Senator's view, and I myself have said repeatedly that that is right. We have reduced the President's budget in most respects. I think of the 16 or 17 appropriation bills last year, we reduced 11, 12, or 13 of them, or certainly a great majority of them.

Mr. MAGNUSON. The only one that went up was the HEW bill. In our projections, of which the Senator has a copy, as of the first of the week our projection is that that bill may go up and the rest will go down and we are going to be under the budget again.

I will agree with the Senator from Wisconsin that President Nixon sent us a budget that had a locked-in deficiency of $12 billion or something like that. Another thing is that we can stop a lot of this if we quit authorizing astronomical sums.

Mr. PROXMIRE. I agree with the Senator, but that does not control much of the spending. There is a great deal of backdoor spending.

Mr. MAGNUSON. The Appropriations Committee is fiscally responsible and will continue to be.

Mr. PROXMIRE. Mr. President, the most fundamental power the Congress has is the power of the purse. If we are really concerned about inflation, then how can we agree to the President's budget for fiscal year 1975, a budget which proposes the largest dollar increase in Federal spending in peacetime history, and one of the largest percentage increases?

Mr. President, during the last 5 years, the administration has talked a good game about fighting inflation. It has wrongly tried to pin the big spender label on Congress. And yet the fact remains, that year after year, it has been the President himself who has proposed huge increases in Federal spending. In the 5 years since the President took office, the Federal budget has grown from $196 billion to more than $304 billion, an increase of over 55 percent.

There is nothing inevitable about Federal spending. We do not have to throw up our hands and confess impotence. The Congress can control spending if it really wants to. There is a vast amount of waste in the Federal budget. A cut of $9 billion would not begin to touch the savings which could be made if wasteful programs were cut back or eliminated. If we are truly interested in economy, the time to begin is now. Not next year, not next month, not tomorrow, but now.

I have estimated that the budget could be cut by more than $9 billion while still leaving funds left over to increase programs which are underfunded.

The defense program could be cut by $7.1 billion by limiting outlays to last year's level. With the end of the Vietnam war and our improved relations with the rest of the world, there is no reason to have a bigger military budget. Let the Pentagon absorb the cost of inflation and pay increases by cutting out fat.

The foreign aid program can be cut by at least $3 billion. The total foreign aid budget is closer to $9 to $10 billion than the $4 billion shown in the budget. Much of this money goes for wasteful military assistance. Why should we continue to provide military aid to some 45 countries around the world, including $1.9 billion to Thailand and South Vietnam, after the war is said to be over?

Several more billions of wasteful spending can be cut out of the space, public works, and highway program without undue difficulty.

Mr. President, a dramatic and decisive action by the Congress to cut the President's budget by $9 billion would have a profound effect on the inflationary psychology which has infested our economy. It would break the back of inflation. It would convince the public and the business community that Congress really means business.

Here are some of the immediate effects of a $9 billion cut in Federal spending, First, the business community would have fewer inflationary expectations. Inventory spending to avoid inflation would be cut back. Unwarranted plans to add more plant or equipment simply to beat rising prices would be revised.

Second, labor unions would be less inclined to make inflationary wage demands if they were confident that inflation was being brought under control.

Third, the Federal Reserve Board would be less inclined to pursue a tight money policy if it saw that Congress was shouldering part of the burden by cutting spending. Relaxation of monetary policy would help to bring down interest rates and revive the depressed homebuilding industry which is already suffering from an unemployment rate in excess of 8 percent.

What I am saying, Mr. President, is that a cut in Federal spending of $9 billion would have a two-pronged effect. First, the actual reduction of $9 billion in Federal spending is in itself deflationary. It decreases aggregate demand for goods and services by $9 billion. Second, a spending cut will curb inflationary expectations. It will convince the public that the Federal Government is playing its part in curbing inflation.

Mr. President, there are those who say we should not cut Federal spending because it might increase unemployment. I say this is nonsense. Our figures on employment have held up remarkably well considering that much of our present rate of unemployment has been induced by the energy crisis. Now that the energy crisis has subsided, employment should be picking up. Also, the price control program itself may have contributed to unemployment by creating shortages and bottlenecks in our economy. Finally, if the Federal Government cuts back on spending, some of the funds which would otherwise have been borrowed by the Treasury will be channeled into the depressed housing industry, thereby increasing employment.

Many of my colleagues have voiced their disappointment with the control program. Practically everyone agrees that controls have been a colossal failure. And yet many members feel they must vote for something to convince their angry constituents they are doing something to fight inflation. I say that the best way to convince the American people that we are concerned about inflation is to cut the President's budget. All we need is the will and the determination to cut the budget.

Mr. President, I urge the adoption of my amendment.

Mr. METZENBAUM. Mr. President, I ask unanimous consent that a member of the staff, Mr. Gerald Gereau, be granted the privilege of the floor during consideration of and voting on S. 2986.

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

Mr. MUSKIE. Mr. President, first of all, before commenting on this amendment, I would like to say just a few words, now that we have more than two or three Senators on the floor, about what I intend to do later in order to bring this matter to a head and permit the Senate to vote on it up or down and get it behind us.

After the Senate acts on the Proxmire amendment, I will offer a substitute for the Tower amendment, so that we can get a vote on the merits and get away from the procedural side trips we have been engaging in this afternoon.

Mr. President, with respect to the Proxmire amendment, I am for ceilings on Federal spending. I am not sure I am for this one. I might be for a lower one. I might be for a higher one. But I have not yet given as thorough consideration as I would like to the questions that should go into the setting of that ceiling.

The Senator from Wisconsin has. The Senate's firm figure is $295 billion. Maybe if I had gone through the same exercise that he has gone through, I might have come up with the same conclusion. However, this legislation—the CIEP authorization, S. 2986—did not focus my attention on what a budget ceiling should be.

I have been engaged for the last year with my colleagues on the Government Operations Committee and on the Committee on Rules and Administration, and on the floor of the Senate, in developing budget reform legislation designed to give us a rational method for achieving a limitation on Federal expenditures, taking into account all the figures; but I just do not have that specific information.

May I say, with all due respect to the Senator from Wisconsin that I am not about to take anyone's figure out of the air this afternoon on what a ceiling should be. It may be too high. It may be too low. However, this is not the time to talk about that decision. The Committee on Appropriations is working on it, and based on its record over the last 16 years that I have been a Member of the Senate, the Appropriations Committee has always done a responsible job. On the record, I think always without exception, although my memory may be inaccurate, the Appropriation Committee has always cut the appropriations requests made by the President, and it has been responsible. It was responsible last year, and I assume that the Appropriations Committee is doing its work and is going along in the process, which is a long one, and a process which originates in the House. I also assume that in due course we will know what the Appropriations Committee thinks ought to be the limit of Federal spending.

I would like to see that process reformed along the lines of the budget reform bill, so that we can take a fix earlier in the year. However, we have not reached that point as of now. We have not had the benefit of the kinds of budget reform legislation that we will have later. So why should we accept this figure proposed by the Senator from Wisconsin early in the year, in the mid-afternoon of May 9, 1974.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. MUSKIE. I yield to the Senator from Rhode Island.

Mr. PASTORE. Mr. President, what we do not want to do is to leave the impression with the people of this country that this is the answer to the problem. As to the bill introduced by the Senator from Maine, I understood from the Senator from Wisconsin that this was an alternative solution to the problem. I do not think it is an alternative solution to the problem.

I think what the Senator is talking about, that has to be considered, is something that ought to be considered very carefully However, I do not think it ought to be a substitute for the idea and the philosophy that has been declared in the legislation introduced by the Senator from Maine.

That is the one thing that is bothering me at the moment.

Mr. MUSKIE. Mr. President, I am terribly concerned that we not put the Senate in a position of voting against a budget ceiling, however restrictive it may be, however arbitrary it may be, without having the specific information, because we do not want an image that we are against the budget ceiling.

We all understand the effect and intent of an amendment of this kind. It would stampede us in the direction of voting for any figure that someone dreams up, so that we can be on the side of the angels and budgetary restraint, and favor a ceiling on budget spending.

I am not prepared to be in favor of any such figure of this kind on the basis of inadequate preparation so early in the year.

I assume that the Senator from Wisconsin has given a great deal of thought to the elements and details of his figures so that he would know exactly what programs he would be for and what programs he would be against and what he would or would not spend, based on his budget recommendations. But I have not yet had an opportunity to make that kind of an analysis.

But I have supported and worked for budget reform legislation because it gives a rational and reasonable basis for proceeding, and presents a target early in the year so that we can have the final fix on it later in the year.

I am for it. The Senate is for it. The House is for it. We are in concert. We will report a bill that we can recommend to both Houses, and it should be signed by the President. When that has been done, and when it becomes effective, we will have effective budget reform. However, I do not think that this amendment proposed today is the way to do it.

The legislation we have before us is geared to fix our attention on the issue of controlling inflation and shortages through monitoring. This is not the whole answer to the problem of inflation. Federal budgets are a part of the answer. Agriculture is a part of the answer. Food policy is a part of the answer. Export and import policies are a part of the answer. There are a great many parts that go to make up the answer.

But all that this legislation can hope to do is to try to contain inflation through economic monitoring of policies.

We ought to find it possible to deal with these limited questions this afternoon and to resolve them one way or another without venturing into all the other areas for which we are not prepared, I believe, on the Senate floor today.

So I would not favor the amendment of the Senator from Wisconsin, with all due respect to his ability and intentions.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. PROXMIRE. Mr. President, I yield to the distinguished majority leader.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum briefly.

The PRESIDING OFFICER (Mr. HANSEN). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. MANSFIELD. With the approval of the distinguished Senator from Wisconsin, I ask that I may yield to the Senator from West Virginia for the purpose of propounding a unanimous consent request.

Mr. PROXMIRE. I have no objection, provided I do not lose my right to the floor.

Mr. MANSFIELD. I yield to the Senator from West Virginia.

UNANIMOUS-CONSENT AGREEMENT ON S. 1539

Mr. ROBERT C. BYRD. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. ROBERT C. BYRD. Mr. President, at the direction of the distinguished majority leader, I make the following unanimous-consent request:

That a vote occur in S. 1539, a bill to amend and extend certain acts relating to elementary and secondary education programs and for other purposes, before the close of business on Tuesday, May 21.

That immediately following the vote on passage of S. 1539, the House bill, H.R. 69, which is a comparable bill in some degree, be called up; that the text of the Senate bill, as amended, if amended, be substituted for the text of H.R. 69; and that a vote then occur immediately on passage of H.R. 69, with the text of the Senate bill substituted therefor.

This would occur before the close of business on Tuesday, May 21.

That in the meantime, there be a time limitation for debate of not to exceed 20 hours, to be equally divided between the majority leader and the minority leader or their designees, and the bill;

That time on any amendment thereto be limited to 1 hour;

That time on any amendment to an amendment be limited to 30 minutes;

That time on any debatable motion or appeal be limited to 30 minutes;

Provided further, that time on an amendment by Mr. MCCLELLAN be limited to 3 hours, with 2 hours of the 3 hours to be under the control of Mr. MCCLELLAN, and that that amendment be in order on Tuesday next, May 14;

Provided further, that following the disposition of the amendment by Mr. MCCLELLAN, the Senator from Michigan (Mr. GRIFFIN) be recognized to call up an amendment on which there be a time limitation of not to exceed 3 hours.

That on Wednesday, there be a time limitation, on an amendment to be offered by Mr. GURNEY, of 6 hours, with a vote to occur at the hour of 4 p.m. on Wednesday on the Gurney amendment, as amended if amended;

That following the disposition of the Gurney amendment, if there are other amendments dealing with busing, they then be in order, to follow one after the other until disposed of, and then, following the disposition of all busing amendments on Wednesday or Thursday, whichever the case may be, the substitute which will be designated as the Buckley-Curtis-McClure substitute be called up, and that there be a time limitation thereon of 6 hours;

Provided further, that the division and control of time be in accordance with the usual form, and that the agreement as to germaneness be in accordance with the usual form, it being understood that amendments, to be germane, would have to be germane to the Senate bill or to the substitutes.

Mr. JAVITS. Or to whatever amendment is offered.

Mr. ROBERT C. BYRD. Or to whatever amendment is called up that is germane.

I ask unanimous consent that paragraph 3 of rule XII be waived.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. I yield.

Mr. JAVITS. There is only one point I noted: the outside time limits in respect to each amendment or substitute have been specified, which are to be divided, I gather, between the proponents and the manager of the bill.

Mr. ROBERT C. BYRD. Yes.

Mr. JAVITS. With one exception: the Senator from Arkansas (Mr. McCLELLAN) will have 2 hours to 1 hour for the manager of the bill.

Mr. ROBERT C. BYRD. Yes.

Mr. JAVITS. And either side, in any case, may draw on the time available to the managers from the time on the bill, with the understanding that the management, insofar as possible, will accommodate them?

Mr. ROBERT C. BYRD. The Senator is correct. The majority leader, and the minority leader or their designees would, under this agreement, be in a position to allocate time from the 20 hours on the bill to any Senator on any amendment, debatable motion, or appeal.

Mr. YOUNG. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. I yield.

Mr. YOUNG. For years we have had a problem with impacted funds with respect to military bases, with the provision that when 25 percent of the schoolchildren live on a military base or other Federal property, 100 percent of impacted aid funds be provided. We have a similar problem with Indians. I think we should have more than an hour or two to discuss that matter.

Mr. ROBERT C. BYRD. May I say to the distinguished Senator that, on any amendment dealing with this subject, there would be 1 hour to be equally divided, but the Senators in control of time for debate on the bill could yield to a Senator therefrom on such amendment whatever additional time he would desire.

Mr. YOUNG. Can the Senator assure us that we will get more than an hour if we need it?

Mr. ROBERT C. BYRD. Oh, yes. With 20 hours for debate on the bill, I am sure that additional time will be available for debate on such amendments.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. I yield.

Mr. AIKEN. If the educational bill is brought up on the 21st—I understand that is what the Senator asked for——

Mr. ROBERT C. BYRD. The final vote would occur on the 21st.

Mr. AIKEN. The final vote would occur on the 21st?

Mr. ROBERT C. BYRD. Yes.

Mr. AIKEN. The 20 hours would not be from the 21st on?

Mr. JAVITS. From the 14th on.

Mr. ROBERT C. BYRD. The 20 hours would begin—I should say, with the distinguished majority leader present, that if an agreement is reached on this measure, and the pending measure is completed today—I ask the distinguished majority leader, the time on the education bill would not begin running until called up on the second track on Monday?

Mr. MANSFIELD. That is correct.

Several Senators addressed the Chair.

Mr. ROBERT C. BYRD. Mr. President, may we have order in the Senate, so all Senators may hear?

The PRESIDING OFFICER (Mr. HELMS). The Senate will be in order. The Senator will suspend until order is fully restored. Staff members will take their seats, and the Senate will be in complete order.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. I yield to the Senator from Nebraska.

Mr. CURTIS. Mr. President, for the sake of clarification, inasmuch as two amendments in the nature of a substitute are involved in the unanimous-consent request, one substitute anticipated to be offered by the distinguished Senator from Michigan (Mr. GRIFFIN) and the other substitute to be offered by the Senator from New York (Mr. BUCKLEY), the Senator from Idaho (Mr. McCLURE), and myself, and probably several others, is it understood that the second one will not be regarded out of order because it is the second one, even though the first one might prevail?

Mr. ROBERT C. BYRD. That is correct.

Mr. GRIFFIN. Mr. President, will the Senator yield at that point?

Mr. ROBERT C. BYRD. I yield.

Mr. GRIFFIN. As the Senator knows, in our consultation or conference, I mentioned the fact that there were Senators interested in having the House bill offered as a substitute I want to make it clear that I am not the only Senator in that category. Several of those have conferred with me since we had the meeting and I want to indicate that there is a strong feeling the substitute, which would be the House-passed bill, should be offered at the end of debate and before the final vote, rather than on Tuesday as was previously discussed. I would like to suggest that that be cranked into the unanimous consent agreement.

Mr. ROBERT C. BYRD. May I say that that would not be in accordance with our discussion.

Mr. GRIFFIN. That is correct. Of course the Senator would realize that we have to get the agreement of all Senators, not just those who——

Mr. JAVITS. One thing has not been mentioned and that is the expectation on the part of the managers of the bill that the busing issue would have been settled on the whole basket of amendments which will be taken up, beginning with the Gurney amendment. I do not see any objection whatever to the order of precedence that Senator CURTIS and his colleagues, and Senator GRIFFIN, may wish, provided we have an understanding that when the busing issue is settled by a series of votes or amendments, that that will be the busing agreement no matter what bill it goes into. We do not want to be in the position, as I understand it from the Senator from Rhode Island (Mr. PELL), to have to reargue the busing thing on substitutes.

Mr. ALLEN. Mr. President, reserving the right to object, I do not believe the understanding was that the Gurney amendment necessarily would be the first busing amendment, which I understood the distinguished Senator from New York to say——

Mr. JAVITS. No. I have no such desire—just the time slot that I am thinking about. If we start with the busing on Wednesday morning and then we finish with the busing on Thursday noon—

Mr. ALLEN. I understood the Senator from New York to state that beginning with the Gurney amendment.

Mr. JAVITS. That is what I thought, but it does not have to be.

Mr. ALLEN. I should like also to reserve an objection—and I shall not object—but it is the understanding, of course, that irrespective of the setting of a date certain to vote, that vote would not occur unless the time that had been allocated for debate on the bill had either been used up or the time had expired.

Is that correct? On the 20 hours.

Mr. JAVITS. Used up or yielded back.

Mr. ALLEN. Used up or yielded back.

Mr. ROBERT C. BYRD. Normally used or yielded back, yes, but we have included that there will be a final vote before close of business on Tuesday. That part of the agreement, therefore, takes precedence or prevails over the provision allowing 20 hours of debate, because it is conceivable that all the time between now and the close of business Tuesday a week from next Tuesday could be consumed merely by the offering of amendments, and that the 20 hours on the bill would not have been used. So the agreement would close the doors completely on the bill before the close of business on Tuesday a week from next Tuesday.

Mr. ALLEN. Further reserving the right to object, the distinguished Senator from Arkansas (Mr. McCLELLAN) is necessarily absent from the Senate today. Two hours have been allotted to him on the title I amendment. It is possible that will not be sufficient. It is possible that he might not want to draw on the 10 hours. Could it be agreed that, if there is a desire for further time for his

amendment, that such time will be allotted to him?

Mr. ROBERT C. BYRD. I am positive that both the majority and minority leaders would yield to the Senator from Arkansas, through their designees, any amount of time that the Senator from Arkansas would want.

Mr. ALLEN. Very well, with that understanding, I withdraw my objection.

Mr. JAVITS. Mr. President, it being understood that the opponents will be yielded a fair amount of time.

Mr. BROCK. Mr. President, I was one of those who was in support of the House bill that will be offered by the Senator from Michigan. I was not aware of the earlier agreement to bring it up first. But I wonder if the suggestion of the Senator from Michigan is something that can be accepted by the leadership and Members of the Senate, or is there a particular reason why we could not reverse the order?

Mr. ROBERT C. BYRD. There are two reasons for that. It would be difficult to reverse the order unless we started out with an entirely new agreement. If we agree to vote finally on the Senate bill before the close of business Tuesday, that might be 10 o'clock on Tuesday night a week from next Tuesday. Then if a Senator were allowed to bring in the House bill and offer it as a substitute, that could negate the agreement—to wit, that there will be a final vote before close of business Tuesday—because, conceivably, hours could be spent on the House bill and amendments thereto.

The second point is the one the Senator from New York is just going to raise.

Mr. JAVITS. Exactly. Another thing is, if we cannot amend the House bill which not only includes busing, the title I formula but is different in many other important respects from the Senate bill, we are finished. We could not agree to that.

Mr. ROBERT C. BYRD. There is a third reason. If it is the understanding here that the Senate will dispose of all busing amendments, by Wednesday and/or Thursday, prior to the consideration of the substitute by Senators McCLURE, CURTIS, and BUCKLEY, we would not be living up to that part of the agreement, if, following action on the Senate bill, we could bring in the House bill, which has a busing section in it.

Mr. MANSFIELD. Mr. President, if my understanding is correct, at least four busing amendments would be considered and they will be considered in sequence after the vote on the Gurney amendment at 4 o'clock. So I would hope that the distinguished Senator from Tennessee and the distinguished Senator from Michigan would give some consideration to that and recognize the bind we are in.

Mr. GRIFFIN. I do not see why we are in a bind at all. The logical way to proceed, and I indicated it in our discussion, would be, as a last vote, to vote on the House bill as a substitute. I am willing to reduce the time from 3 hours to 1 hour, because I realize that during this whole period of debate we will be focusing in general on the differences between the House-passed bill and the Senate committee bill. So that it will not require a great deal of time with the amendment itself.

I would say that in the general agreement, there is an understanding, I believe, that there be 1 hour on any amendment. An agreement in the nature of a substitute of this kind would certainly qualify. So that I do not see, for the life of me, why if we want to reserve that opportunity to offer that amendment at the time, why we cannot do it. I will go along with the rest of the agreement which will enable us to dispose of the bill. As long as there are some of those associated with my point of view who want that opportunity, I do not see why it cannot be modified. I am prepared to object to the agreement.

Mr. ALLEN. Mr. President, I wonder whether we could not accomplish the same thing, instead of having the substitution of the provision of the Senate bill for the House bill, which would come at the end, why we could not make that not a pro forma affair but have an actual vote at the time the House bill is brought up and have a actual vote on the substitute.

Mr. GRIFFIN. We would be entitled to that, anyway——

Mr. ALLEN. Yes.

Mr. GRIFFIN. But if I am forced to offer it on Tuesday, we would only have had the vote previously, and that is part of the strategy, I believe.

Mr. ALLEN. It was part of the unanimous-consent request that the substitution of the provisons of the Senate bill for the provisions of H.R. 69 be a pro forma affair on which there would be no vote. That is part of the request. We can accomplish the same thing at the time the House bill is brought up, to let the provisions of the Senate bill be offered and considered by the Senate on their merits as to whether we would put that in the House bill or not.

Mr. BROCK. Then would we have a specified time for debate between the final vote on the Senate bill and the——

Mr. ALLEN. It would come under the limitation of the 1 hour plus anything remaining.

Mr. JAVITS. We are not going to agree to that and cut off our right to amend. How could we? We would be untrue to the committee which labored on the legislation for more than a year and which sent us here to manage this bill.

Mr. ALLEN. It could be amended.

Mr. JAVITS. I understand that, but we cannot do that on Tuesday night at 6 o'clock.

Mr. PELL. Mr. President, I wonder whether we could not meet this problem by saying, if this is the wish of the Senator from Michigan, and he prevails on Tuesday afternoon or evening, that as a matter of fairness, if the bill on which we would have worked the past week would be thrown out and we should postpone the final vote until Wednesday night, we would vote back to back on a series of amendments we would offer to the House bill.

Mr. GRIFFIN. After consultation with those who are interested in this particular amendment, I see no reason why I should not be afforded the same opportunity as anyone else who wants to offer an amendment; and I do not want to be locked into offering it on Tuesday. I may prefer to offer that amendment late in the day and have it toward the end of the consideration.

Mr. ROBERT C. BYRD. I understood the distinguished Senator, in the meeting we had, to agree to this proposal. Did I misunderstand him?

Mr. GRIFFIN. I thought I made it very clear that I had to consult some others who had a similar point of view.

Mr. CURTIS. The Senator expressed reservations.

Mr. GRIFFIN. I do not feel that I can go ahead and lock us into an agreement unless it is a unanimous consent agreement. If there are others who do not agree, I think their rights and position ought to be protected.

Mr. BROCK. I think the Senator from Michigan is saying that he is willing to give up part of the unanimous-consent request for 3 hours and go under the standard agreement of 1 hour for any Senator and offer his amendment whenever he sees fit during the week of debate.

Mr. JAVITS. The whole base of this agreement is to vote Tuesday, before the close of business. We cannot agree to vote Tuesday, before the close of business, if we are being shut out of the opportunity to offer and argue amendments to the House substitute. So the whole basis falls upon which the agreement stands, and I will object, because we cannot do it. We are not going to get trapped.

Mr. ROBERT C. BYRD. Suppose I offer the House substitute any day I want to? I am not shut off from offering the substitute.

Mr. JAVITS. May I explain to the Senator the virtue of it?

Mr. ROBERT C. BYRD. I am not arguing with the Senator.

Mr. JAVITS. From our point of view, unless we have an idea as to the sequence of events, so that we have an opportunity—for example, if we are closed out at the conclusion of business on Tuesday, even if we sat until midnight, we might have 20 amendments.

Mr. ROBERT C. BYRD. The only other thing was that I thought it was understood that the Senate would dispose of all busing amendments by Wednesday or, at the latest, Thursday. If it is going to do that, then the House substitute, which would be the House amendment and which contains the busing provision, ought to be disposed of prior to that time. Otherwise, you go up the hill on busing——

Mr. JAVITS. And down again.

Mr. ROBERT C. BYRD. I am on the Senator from Michigan's side on busing. If we are going to go up the hill on busing on next Wednesday and Thursday, we should not have to come back Tuesday a week and go up the hill again on the House busing provision.

Mr. GRIFFIN. Would the Senator from West Virginia think that perhaps taking up this amendment on Monday before the Tuesday we were to vote——

Mr. ROBERT C. BYRD. That would be fine.

Mr. GRIFFIN. So that there would be

adequate time to offer amendments and consider them.

Mr. ROBERT C. BYRD. Except, that gets back to the second trip on busing.

Mr. JAVITS. I understand what the Senator has said now—with a time limitation on that substitute, whatever we may agree on. That would give us time, but it would not settle the busing question which I raised when the Senator raised the question of unanimous consent.

As the Senator says, having obtained the views of the Senate on busing over the space of 24 or 36 hours, that would be the understanding that would be wrapped into any substitute which is offered. I do not think we ought to have to go through that on Monday, after having gone through it on Wednesday and Thursday.

Mr. ROBERT C. BYRD. Whatever the Senate wishes to do is fine with me. That was my understanding.

Mr. JAVITS. I will accept the amendment to the unanimous consent agreement for myself. Senator PELL will have to decide, and Senator WILLIAMS. I will accept the amendment that with the limited time on the Griffin matter of 3 hours—or make it 4, if he wishes—we would go on Monday, the first thing, with the Griffin substitute, which would be the House bill—Monday, the 20th. That is OK. It gives us time to amend it. But it would be with the understanding that we would not go up the hill and then come down again on busing, which is what I understood we had agreed.

Mr. GRIFFIN. I do not understand what the Senator means. He is free to offer an amendment to strike out the House busing provision at any point, if he wishes and can get a vote on it.

Mr. JAVITS. It was understood in our conference that whatever the Senate decided on busing in the 2 days, that would be rolled into the House substitute as presented by the Senator from Michigan.

Mr. GRIFFIN. The Senator has to keep in mind that what we talked about in that group does not necessarily represent the agreement of a hundred Senators.

Mr. JAVITS. I am not holding the Senator from Michigan to it. I am not saying at all that he is violating his word. I am just deciding whether I will object, which I have a right to do, just as does any other Senator.

Mr. ROBERT C. BYRD. Mr. President, I temporarily withdraw this request. I understand that some Senators have to leave, and they want to vote on the Proxmire amendment.

AUTHORIZATION OF APPROPRIATIONS UNDER THE INTERNATIONAL ECONOMIC POLICY ACT OF 1972

The Senate continued with the consideration of the bill (S. 2986) to authorize appropriations for carrying out the provisions of the International Economic Policy Act of 1972, as amended.

Mr. PROXMIRE. I will be willing to vote in 2 or 3 minutes. I want to reply to the distinguished Senator from Maine.

I yield to the distinguished Senator from Indiana.

Mr. HARTKE. Mr. President, I ask unanimous consent that Guy McMichael, a member of the staff of the Veterans Subcommittee, be permitted the privilege of the floor.

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

Mr. PROXMIRE. Mr. President, the Senator from Maine has made a very persuasive and strong response to my amendment. However, the timing is very important here. We should act now. The fact is that the President's ceiling on spending came to us 95 days ago with his budget. We have had the budget and the ceiling before us since then. The Appropriations Committees of the House and Senate, the subcommittees, and the various authorizing committees that spend money are moving ahead. We are becoming more locked into our spending commitments. If we are going to establish a ceiling that provides discipline, the time to act is now.

Furthermore, this is a ceiling. This is not a rigid, fixed amount. We can go under it, to 290, 293, or 285. But we could not exceed it if we pass my amendment. At a time when inflation is worse than it has been in a generation, it seems to me that this is the kind of action which should be very reassuring to the country.

Mr. President, I have arrived at this amount of $295 billion, on the basis of careful estimates. We tried to estimate where, in our view, spending could be cut. It is true that if we all tried to do that, we might get 100 different estimates as to what the ceiling should be. But this is May 9; and with every day that passes, we are getting more and more locked in. We have to act; we have to set a time. We cannot postpone this until June or July. By then, it will be too late.

Furthermore, as the Senator from Tennessee pointed out, this is the figure which will enable us to balance the budget. We have a deficit of about $9 billion now, if we do not reduce the $304 billion budget. This cuts it back so that we will have a balanced budget; and from that standpoint, it makes sense.

I think that some Senators do not appreciate what this amendment would do. It would put a limitation on the President of the United States, a limitation we should have put on before, because the President has the authority to determine the level of outlays. He has all the past appropriations we have passed. He can act on any of those.

This amendment provides a ceiling on the amount of the President's expenditures. This is in response to the Senator from Rhode Island, who asked who would determine what to spend and where. Without this ceiling, the President has no limitation, except the appropriations we passed this year. He can go over or under it, depending on how much unobligated authority he has.

As the Senator from Maine has pointed out, there are many things we can do to cope with inflation. Energy policy is one. We can act further in that respect. Food exports is another area, and there are other promising areas. In my view, this is by far the most important single action Congress can take—to set a limit on its own spending, from the standpoint of psychology, from the standpoint of substance.

Mr. YOUNG. Mr. President, will the Senator yield

Mr. PROXMIRE. I yield.

Mr. YOUNG. I am in sympathy with the objective of the Senator from Wisconsin, but I am wondering if that would not involve the President having to impound more funds and getting in trouble with Congress again.

Mr. PROXMIRE. I say to the Senator that there is nothing to prevent the President from impounding funds, anyway. This does not change that situation.

It is up to us, as I said before, to act on appropriations and on other spending measures in such a way that the President will have a reasonable limit on what he can spend in these various areas.

The President may impound funds unless we pass perfecting anti-impoundment legislation or take it to court.

Mr. STEVENSON. Mr. President, the Senator from Wisconsin has been very reasonable in determining a ceiling for fiscal year 1975. However, this amendment permits an increase in outlays for fiscal year 1975 of more than $20 billion over outlays for fiscal year 1974. It may be much too high. It could authorize deficit spending, and on the other hand it could be too low.

If the Congress did authorize outlays in excess of this ceiling the only effect would be to authorize impoundments.

The point made so eloquently by the Senator from Maine is that this is premature. Congress is in no position to estimate expenditures or revenues for fiscal year 1975 at this early date. What is more, the amendment is not relevant to the underlying bill. The bill, S. 2986, is an act to authorize appropriations under the International Economic Policy Act of 1972.

Mr. President, for those reasons I move to table——

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. STEVENSON I yield.

Mr. PROXMIRE. How relevant is the amendment by the Senator from Maine or the Senator from Illinois to the bill before us?

Mr. STEVENSON. The Senate has already acted upon the amendment of the Senator from Maine.

Mr. PROXMIRE. It is an irrelevant amendment?

Mr. STEVENSON. That may have been irrelevant, too. The Senate has already adopted it. The Senate has not adopted this amendment. I make the point it is not relevant to the International Economic Policy Act of 1972.

Mr. President, for those reasons, I move to table the Proxmire amendment.

Mr. PROXMIRE. Mr President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the amendment of the Senator from Wisconsin. The yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from Indiana (Mr. BAYH), the Senator from Nevada (Mr. BIBLE), the Senator from Arkansas (Mr. FULBRIGHT), the Senator from Michigan (Mr. HART), and the Senator from Arkansas (Mr. MCCLELLAN) are necessarily absent.

I further announce that the Senator from Louisiana (Mr. LONG), and the Senator from Florida (Mr. CHILES) are absent on official business.

Mr. GRIFFIN. I announce that the Senator from Oklahoma (Mr. BELLMON), the Senator from New Jersey (Mr. CASE), the Senator from Colorado (Mr. DOMINICK), and the Senator from Arizona (Mr. GOLDWATER) are necessarily absent.

I further announce that, if present and voting, the Senator from Colorado (Mr. DOMINICK) would vote "nay."

The result was announced—yeas 33, nays 56, as follows:

[No. 188 Leg.]

YEAS—33

Aiken	Huddleston	Packwood
Beall	Humphrey	Pastore
Bennett	Inouye	Pearson
Biden	Jackson	Percy
Cannon	Javits	Roth
Clark	Kennedy	Scott, Hugh
Fong	Mathias	Stafford
Gravel	McGee	Stevens
Griffin	Mondale	Stevenson
Haskell	Moss	Taft
Hathaway	Muskie	Young

NAYS—56

Abourezk	Eastland	Nelson
Allen	Ervin	Nunn
Baker	Fannin	Pell
Bartlett	Gurney	Proxmire
Bentsen	Hansen	Randolph
Brock	Hartke	Ribicoff
Brooke	Hatfield	Schweiker
Buckley	Helms	Scott, William L.
Burdick	Hollings	Sparkman
Byrd, Harry F., Jr.	Hruska	Stennis
Byrd, Robert C.	Hughes	Symington
Church	Johnston	Talmadge
Cook	Magnuson	Thurmond
Cotton	Mansfield	Tower
Cranston	McClure	Tunney
Curtis	McGovern	Weicker
Dole	McIntyre	Williams
Domenici	Metcalf	
Eagleton	Metzenbaum	
	Montoya	

NOT VOTING—11

Bayh	Chiles	Hart
Bellmon	Dominick	Long
Bible	Fulbright	McClellan
Case	Goldwater	

So the motion to table was rejected.

Mr. STEVENSON. Mr. President, the Senate has expressed its will. I am willing to accept this amendment and do the best we can in conference. I would hope we might be able to withdraw the order for the yeas and nays on the Proxmire amendment.

I ask unanimous consent that the order for the yeas and nays be vacated.

The PRESIDING OFFICER. Is there objection?

Without objection, the order for the yeas and nays is withdrawn.

The question recurs on the amendment of the Senator from Wisconsin. (Putting the question.)

The amendment was agreed to.

Mr. PROXMIRE. Mr. President, I move to reconsider the vote by which the motion was rejected.

Mr. SPARKMAN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HATHAWAY. Mr. President, I have an amendment, which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read the amendment by Mr. HATHAWAY, as follows:

At the end of the bill, add the following:

TITLE III—PUBLIC DISCLOSURE

SEC. 301. All information reported to or otherwise obtained by any person exercising authority under title II which contains or relates to a trade secret or other matter referred to in section 1905 of title 18, United States Code, shall be considered confidential for purposes of that section, except that such information may be disclosed to other persons empowered to carry out such title solely for the purpose of carrying out such title or when relevant in any proceeding under such title.

SEC. 302. Any business enterprise shall make public any information which is required under title II to be reported to the President or any person or agency exercising authority under such title, if such business enterprise had sales of a substantial product during its most recent full fiscal year.

SEC. 303. A business enterprise may exclude from any report made public pursuant to section 302, any information or data reported to the President or any person or agency exercising authority under title II which—

(1) is proprietary in nature, which concerns or relates to the amount or sources of its income, profits, losses, costs, or expenditures, but may not exclude from such report, data or information so reported which concerns or relates to its prices for goods and services;

(2) does not relate to a substantial product.

SEC. 304. (a) Immediately upon enactment of this title, the President or his delegate shall issue regulations defining, for the purposes of this title, what information or data are proprietary in nature and therefore excludable under section 303, except that such regulations may not define as excludable any information or data which cannot currently be excluded from public annual reports to the Securities and Exchange Commission pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934 by a business enterprise exclusively engaged in the manufacture or sale

Mr. HATHAWAY. Mr. President, I ask unanimous consent that Ms. Francie Sheehan-Brady, a member of my staff, be granted the privilege of the floor during the debate on the bill and the votes thereon.

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

Mr. HATHAWAY. Mr. President, the amendment I am offering today is designed to continue the policy that Congress enacted last year in the Economic Stabilization Act of 1973, of public disclosure of information.

My amendment was offered and accepted by the Senate last week as an amendment to the Muskie amendment. However, due to the parliamentary situation last week—with votes on the two parts of the Muskie amendment coming back to back, and with no intervening amendments—I was able to offer my amendment only to section 205 of the Muskie amendment. My amendment was accepted by vote of the Senate, but ultimately that section of the Muskie amendment was defeated. After consultation with the Parliamentarian and the Senator from Texas, Mr. TOWER, I decided to offer the amendment as a separate title to S. 2986 as amended, so that the fate of my amendment could be determined on its own merits.

My amendment does have merit.

With the limited monitoring the only structure that we have in the bill and the Tower substitute, public disclosure takes on more significance than ever before. With the public's current skepticism and mistrust of big business and Government, there will be no public confidence in a monitoring system if only the executive branch and business have access to the factual information that goes into pricing decisions that affect the whole economy.

Moreover, my amendment has important implications for a reassertion of congressional power and a legislative role in determining what action should be taken affecting the economy. The basic purpose of a monitoring program is to track the performance of the various sectors of the economy so that we have some advance warning if inflation in any important sector may reach the boiling point. Without public disclosure, we in the Congress, and the public, may never get that advance warning. If only the executive branch monitors have access to the information collected for purposes of determining whether new controls should at some time be authorized, then we, the Congress, will have no role—or no facts to back up our position—in deciding whether or not controls should be re-imposed at some point.

Under the bill as it stands now, the Executive may request new economic stabilization authority if, through monitoring, he views the economic situation to be sufficiently serious. But this should not be solely an executive prerogative. It is conceivable that in some situations the Congress would deem revival of controls appropriate at some point before the President does. And further, our views may—and should—be influenced by expert members of the public, including business, labor, academic economists, and private organizations, who cannot offer their informed advice unless meaningful data is available. My amendment would make that data available to us and to the general public.

My amendment would provide for the public disclosure of limited kinds of information reported to the monitoring agency, according to the guidelines set up in section 205 of the recently expired Economic Stabilization Act—guidelines which have been upheld in the courts. Trade secrets, work styles, supplies and customer lists, and other types of operating information—including that information covered by the confidentiality

requirements of title 18, United States Code, section 1905—would be confidential as a matter of law. The disclosure requirements of my amendment are not burdensome, and yet they will provide us with important information during this time of readjustment as controls expire. Moreover, public disclosure will go far toward mitigating public cynicism and doubt with regard to pricing decisions and Government economic policies. Lincoln once pointed out that—

With public sentiment, nothing can fail. Without it, nothing can succeed.

That statement is particularly apt when applied to economic policies, where the public's attitude is so crucial a factor.

Mr. President, I urge the adoption of my amendment.

Mr. JOHNSTON. Mr. President, will the Senator yield?

Mr. HATHAWAY. I yield.

Mr. JOHNSTON. Mr. President, I believe that the Senators in charge on both sides of the aisle are ready to accept the amendment.

Mr. HATHAWAY. I thank the Senator from Louisiana and the Senator from Texas.

Mr. TOWER. We are willing to accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Maine.

The amendment was agreed to.

Mr. TOWER. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. MUSKIE. Mr. President, I had announced earlier that I was going to offer an amendment to the Tower amendment. Is my amendment in order at this time?

The PRESIDING OFFICER. It is.

Mr. MUSKIE. I came to the floor this afternoon fully prepared to have the Senate act finally on the decision which it first took last week, after seven rollcall votes, to incorporate the Muskie amendment for the so-called monitoring agency in the pending bill.

The Senator from Texas earlier this afternoon offered his amendment as a disguised substitute for a motion to strike the Muskie amendment. The rules do not permit him to offer a motion to strike. He offered an amendment which, in my judgment, was without substance, a disguised amendment, designed to strike the Muskie amendment from the bill.

I moved to table that amendment, since it is a diversionary, dilatory tactic, to draw the Senate's attention away from the main issue which was raised by the Muskie amendment. I lost that motion to table for whatever reasons may be evident later. But I think now, to present the issue in clear-cut form, I shall offer my amendment as a substitute for the Tower amendment, without affecting the Proxmire amendment, which I oppose, but which the Senate has approved, and also without affecting the Hathaway amendment, which the Senate has just adopted.

I do so in order that we may come as close as possible to being back in the position we were in a week ago, so that the Senate may, in a clear-cut way, by yeas and nays, vote up or down on the proposal to create an economic monitoring agency.

The amendment I submit is identical with the one the Senate approved last week, after seven rollcall votes. There is no direct way to strike it from the bill. It was nailed down by a motion to reconsider and a motion to table. The vote was taken, and it was final. But the Tower amendment is nothing more or less than an attempt to do indirectly what the Senator from Texas could not do directly—reverse that decision.

I ask the Senate to do all over again what it did last week; that is, to approve my amendment to incorporate the monitoring agency among the tools of the Government to deal with the problems of fighting inflation.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. MUSKIE. Mr. President, I ask unanimous consent that the further reading of the amendment be dispensed with, and that the amendment be printed in the RECORD.

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

The amendment is as follows:

Strike out title II and insert in lieu thereof the following:

TITLE II—COST OF LIVING ACT OF 1974

SEC. 201. This title may be cited as the "Cost of Living Act of 1974".

FINDINGS AND PURPOSES

SEC. 202. It is hereby determined that inflation poses a danger to the economic well-being of the Nation, and that in order to constrain domestic inflation, the Federal Government should have a continuing concern with the rate of inflation, supply, industrial capacity, and means of increasing productivity. To contribute to the moderation of inflation, it is the purpose of this title to authorize the President to monitor public and private economic activity, and stabilize prices, rents, wages, salaries, dividends, and interest while providing for the orderly termination of economic stabilization controls and enforcement of decontrol commitments.

PRESIDENTIAL MONITORING AUTHORITY

SEC. 203. To carry out the purposes of this title, the President shall—

(1) review the programs and activities of Federal departments and agencies and the private sector which may have adverse effects on supply and cause increases in prices and make recommendations for changes in such programs and activities to increase supply and restrain prices;

(2) review industrial capacity, demand, and supply in various sectors of the economy, working with the industrial groups concerned, and appropriate governmental agencies to encourage price restraint;

(3) improve wage and price data bases for the various sectors of the economy to improve collective bargaining and encourage price restraint;

(4) conduct public hearings when appropriate to provide for public scrutiny of inflationary problems in various sectors of the economy;

(5) focus attention on the need to increase productivity in both the public and private sectors of the economy;

(6) monitor the economy as a whole, including such matters as wages, costs, productivity, prices, sales, profits, imports, and exports; and

(7) conduct a continuing review of the effect of economic concentration and anticompetitive practices on price and wage inflation and recommend legislation and other appropriate action to reduce the impact of such concentration or practices on inflation.

ENFORCEMENT OF DECONTROL COMMITMENTS

SEC. 204. Nothwithstanding the expiration of the Economic Stabilization Act of 1970, as amended,

(1) any commitment made or given as a condition of, in connection with, in exchange for, or in the course of decontrol or the grant of other relief from or under such Act, prior to May 1, 1974, shall continue in full force and effect; and

(2) the authority and provisions of sections 203 (relating to Presidential control authority), 208 (relating to sanctions), 209 (relating to injunctions and other relief), and 211 (relating to judicial review) of that Act (as in effect on April 30, 1974) may be invoked against, and shall apply to, any person who violates any commitment made or given as a condition of, in connection with, in exchange for, or in the course of decontrol or the grant of other relief to such persons from or under such Act, prior to May 1, 1974.

ACQUISITION, CONFIDENTIALITY, AND DISCLOSURE OF INFORMATION

SEC. 206. (a) For purposes of carrying out this title, the President may by regulation, order, or otherwise obtain such information from, require such reports and the keeping of such records by, make such inspections of the books, records and other writings, premises, or property of, and take the sworn testimony of, and administer oaths and affirmations to, any person as may be necessary or appropriate. The authority to obtain information under this subsection or section 208 of this title does not extend to copies of disclosures to departments or agencies of the United States excepted from disclosure under subsection (b) of this section.

(b) For purposes of carrying out this title, the President may request from any department or agency of the United States, and that department or agency shall provide him, economic information except:

(1) information, the disclosure of which to another Federal agency is expressly prohibited by law, or

(2) trade secrets, commercial, financial, or demographic information which is privileged or confidential and obtained by an agency from a person for statistical or law enforcement purposes, the disclosure of which to another Federal agency would frustrate development of accurate statistics or proper law enforcement.

(c) For purposes of carrying out this title, the President may request economic information from State and local governments, including agencies and instrumentalities thereof.

DELEGATION

SEC. 207. The President may delegate the performance of any function under this title to such officers, departments, and agencies of the United States as he deems appropriate.

SUBPENA POWER

SEC. 208. The head of an agency exercising authority under this title, or his duly authorized agent, shall have authority, for any purpose related to this title, to sign and issue subpenas for the attendance and testimony of witnesses and the production of relevant books, papers, and other documents, and to administer oaths. Witnesses summoned under the provisions of this section shall be paid the same fees and mileage as are paid to witnesses in the courts of the United States. In case of refusal to obey a subpena

served upon any person under the provisions of this section, the head of the agency authorizing the subpena, or his delegate, may request the Attorney General to seek the aid of the United States district court for any district in which such person is found to compel that person, after notice, to appear and give testimony, or to appear and produce documents before the agency.

PERSONNEL

SEC. 209 (a) Any agency or officer of the Government carrying out functions under this title is authorized to employ such personnel as the President deems necessary to carry out the purposes of this title.

(b) The President may appoint five officers to be responsible for carrying out functions of this title, one of whom shall be appointed by and with the advice and consent of the Senate and who shall be compensated at the rate prescribed for level II of the Executive Schedule (5 U.S.C. 5313) one of whom shall be compensated at the rate prescribed for level III of the Executive Schedule (5 U.S.C. 5314) and three of whom shall be compensated at the rate prescribed for level V of the Executive Schedule (5 U.S.C. 5316). Appropriate titles and the order of succession among such officers may be designated by the President.

(c) Any member of a board, commission, or similar entity established by the President pursuant to authority conferred by this title who serves on less than a full-time basis shall receive compensation from the date of his appointment at the rate equal to the per diem equivalent of the rate prescribed for level IV of the Executive Schedule (5 U.S.C. 5315) when actually engaged in the performance of his duties as such member.

(d) (1) In addition to the number of positions which may be placed in GS–16, GS–17, and GS–18, under section 5108 of title 5, United States Code, not to exceed twenty positions may be placed in GS–16, GS–17, and GS–18, to carry out the functions under this title.

(2) The authority under this subsection shall be subject to the procedures prescribed under section 5108 of title 5, United States Code, and shall continue only for the duration of the exercise of functions under this title.

(e) The President may require the detail of employees from any executive agency to carry out the purpose of this title.

(f) The President is authorized to appoint, without regard to the civil service laws, such advisory committees as he deems appropriate for the purpose of consultation with and advice to the President in the performance of his functions under this title. Members of advisory committees, other than those regularly employed by the Federal Government, while attending meetings of such committees or while otherwise serving at the request of the President may be paid compensation at rates not exceeding those authorized for individuals under section 5332 of title 5, United States Code, and, while so serving away from their homes or regular places of business, may be allowed travel expenses, including per diem as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. Committees established under this title which are composed of members representative of labor and management or labor, management, and the general public to provide advice on methods of improving labor-management relations or the collective-bargaining process or assuring wage and salary settlements consistent with gains in productivity and the goals of stabilizing the economy and facilitating development of the Nation's energy reserves are exempt from the provisions of section 10 of the Federal Advisory Committee Act.

(g) (1) Under such regulations as the President may prescribe, officers and employees of the Government who are appointed, without a break of service of one or more workdays, to any position for carrying out functions under this title are entitled, upon separation from such position, to reemployment in the position occupied at the time of appointment or in a position of comparable grade and salary.

(2) An officer or employee who, at the time of his appointment under paragraph (1) of this subsection, is covered by section 8336(c) of title 5, United States Code, shall continue to be covered thereunder while carrying out functions under this title.

EXPERTS AND CONSULTANTS

SEC. 210. Experts and consultants may be employed, as authorized by section 3109 of title 5, United States Code, for the performance of functions under this title, and individuals so employed may be compensated at rates not to exceed the per diem equivalent of the rate for grade 18 of the General Schedule established by section 5332 of title 5, United States Code. Such contracts may be renewed from time to time without limitation. Service of an individual as an expert or consultant under this section shall not be considered as employment or the holding of an office or position bringing such individual within the provisions of section 3323(a) of title 5, United States Code, section 872 of the Foreign Service Act of 1946, or any other law limiting the reemployment of retired officers or employees.

REPORTS

SEC. 211. (a) In transmitting the Economic Report required under section 3(a) of the Employment Act of 1946 (15 U.S.C. 1022), the President shall include a section describing the actions taken under this title during the preceding year and giving his assessment of the progress attained in achieving the purposes of this title. The President shall also transmit quarterly reports to the Congress not later than thirty days after the close of each calendar quarter describing the actions taken during this title during the preceding quarter and giving his assessment of the programs attained in achieving the purpose of this title.

(b) In carrying out his authority under this title, the President shall study and evaluate the relationship between excess profits, the stabilization of the economy, and the creation of new jobs. The results of such study shall be incorporated in the reports referred to in subsection (a) of this section.

(c) The President shall review and appraise the programs and activities of the departments and agencies of the United States in light of the policies set forth in section 202 of this title for the purpose of determining the extent to which those programs and activities contribute to the achievement of those policies and shall report his conclusions to the Congress in the reports required by subsection (a) of this section.

FUNDING

SEC. 212. (a) There are authorized to be appropriated to the President to remain available until expended, such sums as may be necessary to carry out the provisions of this title.

(b) The President may accept and use in furtherance of the purposes of this title money, funds, property, and services of any kind made available for such purposes by gift, devise, bequest, grant, or otherwise.

EXPIRATION

SEC. 213. The authority under this title expires at midnight, April 30, 1975, but such expiration shall not affect any action or pending proceeding, civil or criminal, not finally determined on such date, nor any action or proceeding based upon any act committed prior to May 1, 1975.

ADMINISTRATIVE PROCEDURE, SANCTIONS, AND JUDICIAL RELIEF AND REVIEW

SEC. 214. Sections 208 (relating to sanctions), 209 (relating to injunctions and other relief), 210 (relating to suits for damages and other relief), and 211 (relating to judicial review) of the Economic Stabilization Act of 1970 as in effect on April 30, 1974, shall apply to actions taken under this title.

EFFECT ON PETROLEUM ALLOCATION ACT OF 1973

SEC. 215. For purposes of administering and enforcing the Emergency Petroleum Allocation Act of 1973, nothing in this title alters the Economic Stabilization Act of 1970 as incorporated by reference in the Emergency Petroleum Allocation Act.

ADMINISTRATIVE PROCEDURE

SEC. 216. "(a) The functions exercised under this title are excluded from the operation of subchapter 11 of chapter 5, and chapter 7 of title 5, United States Code, except as to the requirements of sections 552, 555 (c) and (e), and 702 of such title, and except as to the requirements of section 553 of such title as modified by subsection (c) of this section.

"(b) Any agency authorized by the President to issue rules, regulations, or orders under this shall, in regulations prescribed by it, establish procedures which are available to any person for the purpose of seeking an interpretation, modification, or rescission of, or seeking an exception or exemption from, such rules, regulations, and orders. Such regulations shall include provision for a statement of exhaustion of administrative remedies which must be issued within sixty days of a request thereof unless a grant or denial is made. If such person is aggrieved by the denial of a request for such action under the preceding sentence, he may request a review of such denial by the agency. The agency shall, in regulations prescribed by it, establish appropriate procedures, including hearings where deemed advisable, for considering such requests for action under this section, except that such agency shall issue no order which has the effect of reducing wages, or salaries in effect, or proposed to be in effect, in an appropriate employee unit unless such order is made on the record after opportunity for a hearing. Not less than thirty days after issuance of such an order a statement of explanation shall be directed to the affected parties and made available to the public. Such statement shall include a full explanation of the reasons why the existing wage or salary, or proposed wage or salary adjustment, does not meet the requirements of, or the standards established by, the regulations prescribed by the agency.

"(c) All rules, regulations, or orders promulgated pursuant to this title shall be subject to the provisions of section 553 of title 5, United States Code, except that all rules, regulations, or orders promulgated must provide for the following:

"(1) Notice and opportunity to comment which shall be achieved by publication of all proposed general rules, regulations, or orders issued pursuant to this title in the Federal Register. In each case, a minimum of ten days following such publication shall be provided for opportunity to comment, except that the requirements of this paragraph as to time of notice and opportunity for comment may be waived where strict compliance is found to cause serious harm or injury to the public interest due to rapid inflation or shortages of vital commodities.

"(2) Any agency authorized by the President or by this title to issue rules, regulations, or orders under this title shall hold

public hearings on those rules, regulations, or orders which are likely to have a substantial impact upon the Nation's economy or large numbers of individuals or businesses or when such hearings serve to inform the public or aid in obtaining information on actions taken or proposed to be taken. To the maximum extent practicable, such hearing shall be held prior to the implementation of such rule, regulation, or order, but in all cases, such public hearings shall be held no later than 45 days after the issuance of any such rule, regulation, or order, which would have a substantial effect upon the Nation's economy or on large numbers of individuals or businesses.

"(d) In addition to the requirements of section 552 of title 5, United States Code, any agency authorized by the President or by this title to issue rules, regulations, or orders shall publish in the Federal Register all internal rules and guidelines which may form the basis, in whole or in part, for any rule, regulation, or order. Such agency shall also support any grant or denial of a request for exception or exemption from rules, regulations, or others provided for in subsection (b) above with a written opinion setting forth its findings of fact and a specific statement explaining the rationale for such grant or denial. Such opinions shall be published with such modifications as are necessary to insure confidentiality of information protected under section 55(b) of title 5, United States Code.

"(e) All rules, regulations, or orders issued pursuant to this title shall include the following:

"(1) Findings of fact and a specific statement explaining the rationale for each provision contained in such rules, regulations, or orders; and

"(2) Administrative definitions of the terms used in this title when pertinent to the rule, regulation, or order.".

EFFECTIVE DATE

SEC. 217. This title takes effect May 1, 1974.

SEVERABILITY

SEC. 218. If any provision of this title or the application of such provision to any person or circumstances is held invalid, the remainder of this title, and the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

Mr. MUSKIE. Mr. President, I ask for the yeas and nays.

Mr. BROCK. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BROCK. Is the amendment in order?

The PRESIDING OFFICER. The amendment is in order.

Mr. BROCK. Is it identical to that which has already been offered before this body?

Mr. MUSKIE. The amendment is not identical. There is a distinction between this amendment and my original amendment, because it in effect incorporates the Proxmire and Hathaway amendments.

Mr. BROCK. Mr. President, may we have a response to my inquiry?

The PRESIDING OFFICER. The Chair would inquire of the Senator from Maine whether the amendment is identical to the amendment in the bill.

Mr. MUSKIE. Mr. President, I just said that the amendment is not identical because it in effect incorporates, in addition to what was in the bill last week, the Proxmire amendment and the Hathaway amendment.

The PRESIDING OFFICER. The Chair understood that, but he wanted to have the Senator state it for the record.

Mr. BROCK. Mr. President, is the amendment in order?

The PRESIDING OFFICER. It is not identical; therefore, it is in order.

Mr. JAVITS. Are my amendments in order? Does the Senator's statement incorporate my amendment?

Mr. MUSKIE. Mr. President, is it in order for me to incorporate that amendment at this point?

The PRESIDING OFFICER. It will require unanimous consent.

Mr. MUSKIE. Mr. President, I ask unanimous consent that it be incorporated.

Mr. TOWER. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. MUSKIE. Mr. President, I have no desire to debate the issue further. I think my position has been spread on the record. The matter is perfectly clear. I know that Senators are anxious to get away and are eager to vote, so I am willing to accept the result, whatever it may be. I am not interested in delaying the Senate for a minute. I fully expected this amendment to be voted on earlier this afternoon.

Mr. JAVITS. Mr. President, as this is a substitute, is it open to a perfecting amendment?

The PRESIDING OFFICER. It is open to further amendment.

Mr. JAVITS. Mr. President, I suggest the absence of a quorum.

Mr. BEALL. Mr. President, will the Senator withhold his request for a moment?

Mr. JAVITS. Surely.

Mr. BEALL. Will the Senator from Maine yield for a question?

Mr. MUSKIE. I am glad to yield.

Mr. BEALL. My colleague, the senior Senator from Maryland (Mr. MATHIAS), had an amendment adopted last week. Does the amendment of the Senator from Maine include the language of that amendment?

Mr. MUSKIE. It does.

Mr. BEALL. I thank the Senator.

Mr. BROCK. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. JAVITS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. JAVITS. Mr. President, I ask unanimous consent that the Senator from Maine (Mr. MUSKIE) be permitted to add to his amendment my amendment which was adopted earlier today.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. JAVITS. I thank my colleague.

Mr. MUSKIE. Mr. President, I am ready to vote.

The PRESIDING OFFICER (Mr. HELMS). The question is on agreeing to the amendments, as amended, of the Senator from Maine (Mr. MUSKIE). On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS (when his name was called). Mr. President, on this vote I have a pair with the Senator from New Jersey (Mr. CASE). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore, I withhold my vote.

Mr. ROBERT C. BYRD. I announce that the Senator from Indiana (Mr. BAYH), the Senator from Arkansas (Mr. FULBRIGHT), the Senator from Michigan (Mr. HART), the Senator from Arkansas (Mr. MCCLELLAN), the Senator from Texas (Mr. BENTSEN), the Senator from Nevada (Mr. BIBLE), the Senator from Nevada (Mr. CANNON), and the Senator from California (Mr. CRANSTON) are necessarily absent.

I further announce that the Senator from Florida (Mr. CHILES) and the Senator from Louisiana (Mr. LONG) are absent on official business.

I also announce that the Senator from Iowa (Mr. CLARK) is absent because of illness in the family.

I further announce that, if present and voting, the Senator from Iowa (Mr. CLARK) would vote "nay."

Mr. GRIFFIN. I announce that the Senator from Oklahoma (Mr. BELLMON), the Senator from New Jersey (Mr. CASE), the Senator from Colorado (Mr. DOMINICK), the Senator from Arizona (Mr. GOLDWATER), and the Senator from Florida (Mr. GURNEY) are necessarily absent.

I further announce that, if present and voting, the Senator from Colorado (Mr. DOMINICK) would vote "nay."

The result was announced—yeas 37, nays 46, as follows:

[No. 189 Leg.]

YEAS—37

Abourezk	Kennedy	Pastore
Biden	Magnuson	Pell
Byrd, Robert C.	Mansfield	Randolph
Church	Mathias	Ribicoff
Haskell	McGee	Roth
Hathaway	McGovern	Stennis
Huddleston	McIntyre	Stevenson
Hughes	Metzenbaum	Symington
Humphrey	Mondale	Taft
Inouye	Montoya	Tunney
Jackson	Moss	Williams
Javits	Muskie	
Johnston	Nelson	

NAYS—46

Aiken	Domenici	Nunn
Allen	Eagleton	Packwood
Baker	Eastland	Pearson
Bartlett	Ervin	Percy
Beall	Fannin	Proxmire
Bennett	Fong	Schweiker
Brock	Gravel	Scott, Hugh
Brooke	Griffin	Scott, William L.
Buckley	Hansen	Sparkman
Burdick	Hartke	Stafford
Byrd, Harry F., Jr.	Hatfield	Talmadge
Cook	Helms	Thurmond
Cotton	Hollings	Tower
Curtis	Hruska	Weicker
Dole	McClure	Young
	Metcalf	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Stevens, against.

NOT VOTING—16

Bayh	Chiles	Gurney
Bellmon	Clark	Hart
Bentsen	Cranston	Long
Bible	Dominick	McClellan
Cannon	Fulbright	
Case	Goldwater	

So Mr. MUSKIE's amendment was rejected.

The PRESIDING OFFICER (Mr. ABOUREZK). The Senate will be in order.

Mr. TOWER. Mr. President, I move to reconsider the vote by which the Muskie amendment was rejected.

Mr. MUSKIE. Mr. President, if I may make a few brief remarks, I will not detain the Senate very long.

The PRESIDING OFFICER. The Senate will be in order.

Mr. PASTORE. Mr. President, the Senate is not in order. May we have order?

The PRESIDING OFFICER. The Senator will suspend until the Senate is in order.

The Senator from Maine may proceed.

Mr. MUSKIE. Mr. President, I think I can make myself heard. I do not want to delay the Senate overly long.

I am disappointed in the vote but, as I have said during the 2 days we have considered this measure, all I wanted was a vote on the merits and we have had it.

The question that comes before us now is whether we will accept the Tower amendment which by its language would undertake to establish a monitoring agency. I cannot speak for any of the others who cosponsored the Muskie amendment but as I read the Tower amendment, I believe it is a shadow of what we need.

What I proposed was little enough by way of monitoring the economy. It was very carefully worked out and worked out after advice from experts in the field. What I had proposed was an agency sufficiently equipped with personnel and funding to do the job.

I am not interested in a shadow agency. My colleagues may be. The remainder of the Senate may be. But if we are going to have a monitoring agency, I am interested in it only if it can do its job, because otherwise it would be an illusory promise to the American people that we are undertaking to do something meaningful about inflation.

So, Mr. President, I propose to vote against the Tower amendment, because I do not think there is enough flesh on it.

I may, in due course, make a motion to table, but I think there should be some debate on this question. I do not know how much patience the Senate has for further debate, but that is my view.

The sponsors, the distinguished Senators from Texas and Tennessee, have been opposed to a monitoring agency during the 2 days of debate. But they are the sponsors of this amendment. So I just do not accept it as putting meaningful flesh on the concept of economic monitoring.

Thus, I shall vote against it and, in due course, if debate indicates it is the proper parliamentary course, I shall make a motion to table.

The PRESIDING OFFICER. The question is on agreeing to the motion to reconsider the vote by which the Muskie amendment was rejected.

Mr. THURMOND. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. STEVENSON. Mr. President, I rise very reluctantly to agree with the Senator from Maine that it would be better to table the Tower amendment than to deceive the people.

This amendment contains no effective monitoring authority. The agency it authorizes would be without the resources with which to enforce the decontrol commitments which have been made. I think it is a flagrant capitulation to inflation. Therefore, it would be better to table this amendment than to pretend we are doing something that we are not doing.

I rise very reluctantly because inflation is robbing the pocketbooks of the people of this country. It is causing economic distress. With the defeat of the Muskie amendment, the chances for an orderly decontrol of the economy are virtually gone. That means that before very long, with double-digit inflation, we are going to be back here again considering legislation either to mandate or to impose a freeze or other controls, and then we will suffer even more severe dislocations in our economy.

If the Senator from Maine will not offer it, at the appropriate time I will offer a motion to table the Tower amendment.

Mr. PROXMIRE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. PROXMIRE. Is it not true that a motion to table the Tower amendment was made this afternoon, only a few hours ago?

The PRESIDING OFFICER. The Senator is correct.

Mr. PROXMIRE. Is it not true that the same motion renewed within this period of time would not be in order?

The PRESIDING OFFICER. There have been two amendments to the Tower amendment since the last motion to table. Therefore, a motion to table now is in order. It would be a different proposition.

Mr. PROXMIRE. So a motion to table the Tower amendment, in effect, since we have already had a vote, would be a motion to vote down the Hathaway amendment and the Proxmire amendment. It would be a motion to wipe out the vote of the Senate in favor of a $295 billion ceiling.

Mr. PASTORE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. PASTORE. Eventually, will a motion to lay the whole bill on the table be in order?

The PRESIDING OFFICER. Yes, it would be in order.

Mr. PASTORE. That is all I want to know.

Mr. MUSKIE. Mr. President, it seems to me that we have exhausted the Senate's patience for debate; I do not think there is anything left to say. So I do move to table the whole bill.

The PRESIDING OFFICER. The question is on the motion to table the entire bill.

Mr. PROXMIRE. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll.

Mr. METCALF (when his name was called). Mr. President, on this vote I have a pair with the Senator from Texas (Mr. BENTSEN). If he were present and voting he would vote "aye." If I were at liberty to vote I would vote "nay." I withhold my vote.

Mr. ROBERT C. BYRD. I announce that the Senator from Indiana (Mr. BAYH), the Senator from Texas (Mr. BENTSEN), the Senator from Nevada (Mr. BIBLE), the Senator from California (Mr. CRANSTON), the Senator from Arkansas (Mr. FULBRIGHT), the Senator from Arkansas (Mr. MCCLELLAN), the Senator from Nevada (Mr. CANNON), and the Senator from Wisconsin (Mr. NELSON) are necessarily absent.

I further announce that the Senator from Florida (Mr. CHILES), and the Senator from Louisiana (Mr. LONG) are absent on official business.

I also announce that the Senator from Iowa (Mr. CLARK) is absent because of illness in the family.

I further announce that, if present and voting, the Senator from Iowa (Mr. CLARK) would vote "yea."

Mr. GRIFFIN. I announce that the Senator from Oklahoma (Mr. BELLMON), the Senator from New Jersey (Mr. CASE), the Senator from Colorado (Mr. DOMINICK), the Senator from Arizona (Mr. GOLDWATER), and the Senator from Florida (Mr. GURNEY) are necessarily absent.

I further announce that, if present and voting, the Senator from Colorado (Mr. DOMINICK) would vote "yea."

The result was announced—yeas 65, nays 18, as follows:

[No. 190 Leg.]

YEAS—65

Abourezk	Hart	Montoya
Allen	Hartke	Moss
Baker	Haskell	Muskie
Bartlett	Hatfield	Nunn
Bennett	Hathaway	Pastore
Biden	Helms	Pearson
Brock	Hruska	Pell
Brooke	Huddleston	Percy
Buckley	Hughes	Randolph
Burdick	Humphrey	Roth
Byrd, Robert C.	Inouye	Schweiker
Cook	Jackson	Scott, William L.
Cotton	Johnston	Stennis
Curtis	Kennedy	Stevens
Dole	Magnuson	Stevenson
Domenici	Mansfield	Symington
Eastland	Mathias	Thurmond
Ervin	McClure	Tower
Fannin	McGee	Weicker
Fong	McIntyre	Williams
Gravel	Metzenbaum	Young
Hansen	Mondale	

NAYS—18

Aiken	Hollings	Sparkman
Beall	Javits	Stafford
Byrd, Harry F., Jr.	McGovern	Taft
Church	Packwood	Talmadge
Eagleton	Proxmire	Tunney
Griffin	Ribicoff	
	Scott, Hugh	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Metcalf, against.

NOT VOTING—16

Bayh	Chiles	Gurney
Bellmon	Clark	Long
Bentsen	Cranston	McClellan
Bible	Dominick	Nelson
Cannon	Fulbright	
Case	Goldwater	

So the motion to lay the bill on the table was agreed to.

Mr. TOWER. Mr. President, I move to

reconsider the vote by which the bill was tabled.

Mr. MOSS. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ADDITIONAL CONFEREES ON H.R. 12565, THE DEFENSE SUPPLEMENTAL APPROPRIATION AUTHORIZATIONS, 1974

Mr. SYMINGTON. Mr. President, I ask unanimous consent that Senators CANNON and DOMINICK be added as conferees of H.R. 12565, the Defense Supplemental Appropriations Authorization Act, 1974. The other conferees have previously been named.

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

MESSAGE FROM THE HOUSE— ENROLLED BILLS SIGNED

A message from the House of Representatives by Mr. Berry, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills:

S. 245. An act for the relief of Kamal Antoine Chalaby;

S. 428. An act for the relief of Edward Scofield (Ernesto Espino);

S. 3304. An act to authorize the Secretary of State or such officer as he may designate to conclude an agreement with the People's Republic of China for indemnification for any loss or damage to objects in the "Exhibition of the Archeological Finds of the People's Republic of China" while in the possession of the Government of the United States;

H.R. 5035. An act to amend Public Law 90-335 (82 Stat. 174) relating to the purchase, sale, and exchange of certain lands on the Spokane Indian Reservation; and

H.R. 5525. An act to declare that certain mineral interests are held by the United States in trust for the Chippewa Cree Tribe of the Rocky Boy's Reservation, Mont.

The enrolled bills were subsequently signed by the President pro tempore.

PRESERVATION OF HISTORICAL AND ARCHEOLOGICAL DATA

Mr. MOSS. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on S. 514.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 514) to amend the act of June 27, 1960 (74 Stat. 220), relating to the preservation of historical and archeological data, which was to strike out all after the enacting clause, and insert:

That the act entitled "An act to provide for the preservation of historical and archeological data (including relics and specimens) which might otherwise be lost as the result of the construction of a dam", approved June 27, 1960 (74 Stat. 220; 16 U.S.C. 469), is amended as follows:

(1) In section 1, after "result of" insert "(1)" and delete "agency." and insert "agency or (2) any alteration of the terrain caused as a result of any Federal construction project or federally licensed activity or program.".

(2) In section 2, change "SEC. 2. (a)", to "SEC. 2."; after "Secretary of the Interior" insert "(hereafter referred to as the Secretary)", and delete all of subsection (b).

(3) Add the following new sections:

"SEC. 3. (a) Whenever any Federal agency finds, or is notified, in writing, by an appropriate historical or archeological authority, that its activities in connection with any Federal construction project or federally licensed project, activity, or program may cause irreparable loss or destruction of significant scientific, prehistorical, historical, or archeological data, such agency shall notify the Secretary, in writing, and shall provide the Secretary with appropriate information concerning the project, program, or activity. Such agency may request the Secretary to undertake the recovery, protection, and preservation of such data (including preliminary survey, or other investigation as needed, and analysis and publication of the reports resulting from such investigation), or it may, with funds appropriated for such project, program, or activity, undertake such activities. Copies of reports of any investigations made pursuant to this section shall be submitted to the Secretary, who shall make them available to the public for inspection and review.

"(b) Whenever any Federal agency provides financial assistance by loan, grant, or otherwise to any private person, association, or public entity, the Secretary, if he determines that significant scientific, prehistorical, historical, or archeological data might be irrevocably lost or destroyed, may with funds appropriated expressly for this purpose conduct, with the consent of all persons, associations, or public entities having a legal interest in the property involved, a survey of the affected site and undertake the recovery, protection, and preservation of such data (including analysis and publication). The Secretary shall, unless otherwise mutually agreed to in writing, compensate any person, association, or public entity damaged as a result of delays in construction or as a result of the temporary loss of the use of private or any nonfederally owned lands.

"SEC. 4. (a) The Secretary, upon notification, in writing, by any Federal or State agency or appropriate historical or archeological authority that scientific, prehistorical, historical, or archeological data is being or may be irrevocably lost or destroyed by any Federal or federally assisted or licensed project, activity, or program, shall, if he determines that such data is significant and is being or may be irrevocably lost or destroyed and after reasonable notice to the agency responsible for funding or licensing such project, activity, or program, conduct or cause to be conducted a survey and other investigation of the areas which are or may be affected and recover and preserve such data (including analysis and publication) which, in his opinion, are not being, but should be, recovered and preserved in the public interest.

"(b) No survey or recovery work shall be required pursuant to this section which, in the determination of the head of the responsible agency, would impede Federal or federally assisted or licensed projects or activities undertaken in connection with any emergency, including projects or activities undertaken in anticipation of, or as a result of, a natural disaster.

"(c) The Secretary shall initiate the survey or recovery effort within sixty days after notification to him pursuant to subsection (a) of this section or within such time as may be agreed upon with the head of the agency responsible for funding or licensing the project, activity, or program in all other cases.

"(d) The Secretary shall, unless otherwise mutually agreed to in writing, compensate any person, association, or public entity damaged as a result of delays in construction or as a result of the temporary loss of the use of private or nonfederally owned land."

(4) In section 2, change "SEC. 2. (c)" to "SEC. 5. (a)" and change "instigating agency" to "agency responsible for funding or licensing the project" and delete "agency." and insert "agency and the survey and recovery programs shall terminate at a time mutually agreed upon by the Secretary and the head of such agency unless extended by mutual agreement.".

(5) Delete subsection 2(d).

(6) In section 2, change "SEC. 2. (e)" to "SEC. 5. (b)".

(7) In section 5, add the following new subsection:

"(c) The Secretary shall coordinate all Federal survey and recovery activities authorized under this Act and shall submit an annual report at the end of each fiscal year to the Interior and Insular Affairs Committees of the United States Congress indicating the scope and effectiveness of the program, the specific projects surveyed and the results produced, and the costs incurred by the Federal Government as a result thereof.".

(8) Redesignate "SEC. 3." as "SEC. 6." and change paragraphs (2) and (3) to read as follows:

"(2) obtain the services of experts and consultants or organizations thereof in accordance with section 3109 of title 5, United States Code; and

"(3) accept and utilize funds made available for salvage archeological purposes by any private person or corporation or transferred to him by any Federal agency.".

(9) Delete all of section 4 and insert the following:

"SEC. 7. (a) To carry out the purposes of this Act, any Federal agency responsible for a construction project may assist the Secretary and/or it may transfer to him such funds as may be agreed upon, but not more than 1 per centum of the total amount authorized to be appropriated for such project, except that the 1 per centum limitation of this section shall not apply in the event that the project involves $50,000 or less: *Provided*, That the costs of such survey, recovery, analysis, and publication shall be considered nonreimbursable project costs.

"(b) For the purposes of subsection 3(b), there are authorized to be appropriated such sums as may be necessary, but not more than $500,000 in fiscal year 1974; $1,000,000 in fiscal year 1975; $1,500,000 in fiscal year 1976; $1,500,000 in fiscal year 1977; and $1,500,000 in fiscal year 1978.

"(c) For the purposes of subsection 4(a), there are authorized to be appropriated not more than $2,000,000 in fiscal year 1974; $2,000,000 in fiscal year 1975; $3,000,000 in fiscal year 1976; $3,000,000 in fiscal year 1977; and $3,000,000 in fiscal year 1978.".

Mr. MOSS. Mr. President, this is a bill that the Senate passed last year, and the House has finished action on it.

While the House has made several amendments to S. 514, they do not detract from the version of the bill as passed by the Senate last year and, in fact, they improve it in some respects. These amendments are acceptable to both the majority and minority sides and they have been cleared on both sides of the aisle.

I move that the Senate concur in the amendments of the House to S. 514.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Utah.

The motion was agreed to.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

UNANIMOUS-CONSENT AGREEMENTS

Mr. ROBERT C. BYRD. Mr. President, I am authorized by the distinguished majority leader to propound the following unanimous-consent requests:

That when the Senate completes its business today—this is part of the overall package—it stand in adjournment until the hour of 12 noon on Monday next; that at the conclusion of morning business on Monday, the Senate resume consideration of S. 3267, the energy bill; and that at the hour of 2 p.m. the Dole amendment, No. 1266, be called up, with a 1-hour limitation thereon, and that a vote occur on the Dole amendment at the hour of 3 p.m. on Monday.

Mr. JAVITS. Mr. President, if the Senator will yield, is there any condition for amending the Dole amendment? I do not know what it is or says. Is it another bill?

Mr. ROBERT C. BYRD. Mr. President, that the vote occur at 3 p.m. on Monday.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, with the provision for adjournment over to Monday still continuing, I continue with the remainder of the request.

I ask unanimous consent that upon the disposition of the Dole amendment, No. 1266, to S. 2637, on Monday or at any time subsequent thereto during Monday afternoon, the leadership be authorized to set aside the energy bill and resume the consideration of S. 1539, the elementary and secondary education bill; that there be a limitation of debate on that bill of 20 hours, to be equally divided between the majority leader and the minority leader, or their designees; that there be a limitation on amendments thereto of 1 hour; that there be a limitation on any amendment to an amendment, debatable motion, or appeal of 30 minutes; that there be a limitation on the amendment by the Senator from Arkansas (Mr. McCLELLAN) of 3 hours, with 2 hours of the 3 hours to be under control of Mr. McCLELLAN and 1 hour to be under the control of the minority leader or his designee.

That there be a limitation on the amendment of the Senator from Florida (Mr. GURNEY) of 6 hours; that there be a limitation on a substitute by the Senator from Idaho (Mr. McCLURE), the Senator from Nebraska (Mr. CURTIS), and the Senator from New York (Mr. BUCKLEY) of 6 hours.

That there be a limitation on an amendment by the Senator from Michigan (Mr. GRIFFIN) of 3 hours.

That on Tuesday, following the conclusion of routine morning business, the Senate resume the consideration of the elementary and secondary education bill, and that the Senator from Arkansas (Mr. McCLELLAN) be recognized to call up his amendment.

That on Wednesday, at the conclusion of routine morning business, the Senate resume the consideration of the education bill; that Mr. GURNEY be recognized at the conclusion of routine morning business on Wednesday to call up his amendment; and that a vote occur on the Gurney amendment at 4 o'clock p.m. on Wednesday.

That all amendments dealing with busing be disposed of not later than the hour of 1 p.m. on Thursday; provided, further, that upon the disposition of all busing amendments, which will be no later than 1 p.m. on Thursday, the Buckley-Curtis-McClure substitute be called up, and that that amendment be disposed of before the conclusion of business on Thursday.

Provided further, that on Monday, May 20, the Senate convene at the hour of 11 a.m.; that at the conclusion of routine morning business, which would be not later than 12 noon, the Senate resume the consideration of the elementary and secondary education bill, and that the pending amendment at that time be the substitute to be offered by the Senator from Michigan (Mr. GRIFFIN); that amendments thereto may be in order throughout the afternoon of Monday, May 20, and that any rollcall votes that are ordered on such amendments be delayed until the hour of 2 p.m. on Tuesday, May 21, at which time all rollcall votes on amendments to the Griffin amendment would occur, with a vote on the Griffin amendment to occur at the conclusion of votes on amendments thereto, with the right to table not affected.

That upon the disposition of the Griffin substitute, if it is not adopted, of course, further amendments to the Senate bill would be in order, with a vote on final passage to occur before the close of business on Tuesday, May 21, paragraph (3) of rule XII being waived.

That if the Griffin substitute does not carry, before the close of business on Tuesday, May 21, the House bill be called up and the Senate language, if amended, be substituted therefor; and that, on the contrary, if the Griffin substitute is carried, the House bill be voted on before the close of business on Tuesday, May 21.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. I yield.

Mr. JAVITS. I did not quite get the Senator's last point.

Mr. ROBERT C. BYRD. I do not think I did very well on it.

Mr. JAVITS. No; the Senator did brilliantly. There are just 1 or 2 points I should like to have made clear. I shall deal with the last one first.

The debate on the Griffin amendment is for 3 hours, to be equally divided.

Mr. ROBERT C. BYRD. Yes.

Mr. JAVITS. The other point is that in every case the right to move to table is reserved.

Mr. ROBERT C. BYRD. And also the right to move to recommit——

Mr. JAVITS. Is reserved. That is, a motion to recommit whatever part of the bill or the whole bill is in order.

Mr. ROBERT C. BYRD. Yes.

Mr. JAVITS. Finally, and the last statement which I did not quite get——

The PRESIDING OFFICER. The Chair will interject that a part of the bill cannot be recommitted.

Mr. ROBERT C. BYRD. Yes; that is right. But the right to recommit would be preserved.

Mr. JAVITS. As I understand it, once the Senate has completed its action on the bill, and there has been third reading, some time on Tuesday, at whatever time it may be, a motion would be in order to substitute the House number with the Senate text, and it would not be subject to debate. But that question has to be voted on then and there.

Mr. ROBERT C. BYRD. Yes.

Mr. JAVITS. That is, whether the Griffin amendment carries or not, that would be the bill before the Senate.

I did not quite get what the Senator meant when he conditioned that action on the Griffin amendment carrying. That would be the final action of the Senate. It could be subject to a motion to recommit or a motion to table.

Mr. ROBERT C. BYRD. Mr. President, may I ask the Chair if the House bill, which will be offered as a substitute by the distinguished Senator from Michigan, were to be adopted without amendment, then would it be necessary, at the end, to call up the House number and substitute the Senate language, because the Senate would have already adopted the House bill as a substitute?

The PRESIDING OFFICER. Not necessarily; the Senate could then call up the House bill and pass it without amendment and thereby achieve the same end.

Mr. ROBERT C. BYRD. I thought that was correct. I understood that if the Griffin substitute failed, there would have to be that parliamentary procedure at the end, but if the Griffin amendment is adopted, the alternative suggested by the Chair could be followed.

So in any event, Mr. President, the unanimous-consent request would cover the situation.

Mr. JAVITS. And there would be no intervening debate.

Mr. ROBERT C. BYRD. Yes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from West Virginia?

Mr. BEALL. Reserving the right to object——

Mr. ROBERT C. BYRD. With the final provision that the agreement be in the usual form as to division and control of time and as to germaneness, it being understood that amendments germane to the bill and to substitutes and to amendments offered thereto would be considered germane.

Mr. JAVITS. It would be modified, in the usual form with the understanding that it would have to be germane to whatever was before the Senate.

Mr. BEALL. Mr. President, reserving the right to object, some of us have amendments that do not pertain to busing. In connection with the scenario for next week, as I understand it, Tuesday, Wednesday, and Thursday of next week will be devoted to busing amendments?

Mr. JAVITS. No, Wednesday and Thursday.

Mr. BEALL. Tuesday would be the day for us to get our miscellaneous amendments in?

Mr. ROBERT C. BYRD. Or Monday afternoon, after the energy amendment is disposed of, or Friday afternoon next.

Mr. BEALL. Further reserving the right to object, should the amendment substituting the House bill for the Senate bill be adopted, several of us have provisions in the Senate bill that are dear to our hearts. I would assume an opportunity would be afforded to us, if we want to amend the proposed substitute with such amendments, prior to the time the Senate votes on it. How much time would we have to do that?

Mr. JAVITS. Mr. President, will the Senator yield? As this is a part of my design, I will answer that.

There is a 3-hour limitation of time, to be equally divided, on the Griffin substitute, which is the House bill. The leadership comes in at 11 o'clock. Let us assume that is over by 3, with quorum calls, et cetera. Then from 3 until whatever is the close of business Monday and until 1 o'clock on Tuesday, any Senator, including the managers, will have the opportunity to amend that particular measure. But votes will not occur on all those amendments—perhaps on a motion to table the substitute, et cetera—until 1 p.m. on Tuesday.

Mr. BEALL. I understand.

Mr. BROCK. 2 p.m.

Mr. JAVITS. Or whatever he said. Two.

Mr. BEALL. My concern is that there be adequate time to amend the substitute.

Mr. JAVITS. Of course. The leadership has agreed, I say to Senator BEALL—and I say this publicly because it is very important—in order to accommodate all these arrangements, to sit as late as may be necessary on these stipulated days, to afford all Senators an opportunity.

Mr. ROBERT C. BYRD. Yes. The Senator from Maryland has raised a question which I think ought to be answered at this time.

It would be my understanding that the House bill, which would be offered as a substitute by the Senator from Michigan, it being a substitute, an amendment thereto would be limited to 30 minutes, because it would be an amendment in the second degree.

Mr. ALLEN. Mr. President, reserving the right to object——

The PRESIDING OFFICER. Would the Senator from West Virginia repeat his question?

Mr. ROBERT C. BYRD. The House bill, when offered as a substitute, would be itself an amendment in the first degree, and any amendment to that substitute, which I thought the Senator from Maryland was addressing his question to, would be limited to 30 minutes.

The PRESIDING OFFICER. Second degree amendments would be limited to 30 minutes under the proposed agreement.

Mr. ROBERT C. BYRD. So that an amendment to the substitute offered by Mr. Griffin would be limited to 30 minutes?

The PRESIDING OFFICER. The Senator is correct.

Mr. BEALL. In other words, continuing to reserve the right to object, as I understand it, then, those of us who have amendments to the House substitute are indeed limited to 30 minutes on those amendments?

Mr. ROBERT C. BYRD. Except with the additional proviso that those in charge of the bill may yield additional time on any amendment.

Mr. JAVITS. Mr. President, may I say to the Senator, I have thought of that, too. We could get an hour; there is no reason why not. But Senator PELL and I would have about a dozen amendments, and the door would be opened to all Senators, and with the time slot from, let us say, 3 p.m. on Monday until 1 or 2 p.m. on Tuesday, with all Senators desirous of being heard, we were concerned about extending that time.

Mr. GRIFFIN. Mr. President, I would like to go further, and say that, as to the 3 hours allocated on the substitute amendment, I do not think all of that time will be used before we start the amending process, and some of that time would be available.

Mr. BEALL. I am satisfied that the Senators have done a good job, and there is adequate time.

Mr. ALLEN. Mr. President, reserving the right to object, the matter as to the time when busing amendments could be brought up has been settled by an earlier request, the statement having been made long ago that the busing amendments would come up on Wednesday or Thursday. There is no objection to bringing up busing amendments on Monday or Tuesday on a catch-as-catch-can basis; is that correct?

Mr. ROBERT C. BYRD. That was my understanding.

Mr. JAVITS. No, that is not my understanding. My understanding is that the time slot for busing amendments begins on Wednesday.

Mr. ALLEN. That is not what has been stated heretofore. It was agreed that 6 hours would be allotted to the Gurney amendment, and that subsequent to that, and prior to the bringing up of the other amendments, busing amendments could be brought up, but nothing has been said other than what the distinguished Senator from New York said just a few moments ago that would preclude bringing busing amendments up on Monday or Tuesday.

I happen to know that the distinguished Senator from North Carolina (Mr. ERVIN) expects, on Monday, to bring up a freedom of choice amendment, which could be considered under that heading.

Mr. JAVITS. I do not mind when they are brought up. We will be here working anyway. But the vote question is what troubles me. So, as we have stipulated in the unanimous-consent agreement that votes on busing amendments shall be completed by a given time on Wednesday, he can bring it up at any time he wants to, so long as the votes come within that period.

Mr. ALLEN. The Senator is suggesting, then, that there could be no votes on Monday or Tuesday, but amendments could be debated, is that correct?

Mr. JAVITS. That is correct. I am talking about busing. There could be votes on other things. But as I understood, as I say, busing amendments would be confined to Wednesday and so much of the time on Thursday as necessary. But so long as votes do not occur at any time other than that time slot on Wednesday and Thursday—until what hour, I ask the Senator from West Virginia?

Mr. ROBERT C. BYRD. 1 o'clock.

Mr. ALLEN. Well, how would the Senator from New York characterize a freedom of choice amendment? Would that be a busing amendment? It makes no reference to transportation of students.

Mr. JAVITS. I would say it would be what we would call a civil rights amendment, and that was our intention, to deal with the civil rights amendments within the time slot of Wednesday and as much of Thursday as we need.

Mr. ALLEN. I am not sure the Senator from North Carolina can be here on Thursday. He has stated that he will not be able to be at the Government Operations Committee.

Mr. JAVITS. Certainly no one is trying not to be accommodating. We would agree, and I am sure the leadership would facilitate it, to vote on his amendment on Wednesday. Our concern is a time slot within which we would urge supporters to be here.

Mr. ALLEN. It would be stipulated, then, that the Ervin amendment would be voted on on Wednesday prior to bringing up the Gurney amendment?

Mr. JAVITS. That would be satisfactory.

Mr. ALLEN. Will the distinguished assistant majority leader make that a part of his request?

Mr. ROBERT C. BYRD. Yes, I will be glad to. Inasmuch as there will be 6 hours for debate on the Gurney amendment, with the vote to occur at 4 o'clock, that would mean the Senate would have to proceed with the Gurney amendment not later than 10 a.m.

Mr. JAVITS. Mr. President, may I suggest that notwithstanding the Gurney amendment, we vote on the Ervin amendment at 2 o'clock on Wednesday?

Mr. BROCK. Mr. President, it seems to me that we would confuse our colleagues with that kind of procedure. The Senator from North Carolina will have, under the unanimous-consent agreement, only one hour for debate under any circumstances. Why not set the Ervin amendment immediately following the Gurney amendment?

Mr. ALLEN. The Senator from North Carolina has stated that he wants to bring the amendment up on Monday.

Mr. JAVITS. Then let us say 2 o'clock on Wednesday.

Mr. BROCK. Is there any reason not to vote on Monday or Tuesday?

Mr. JAVITS. No. We have got our time slots. Let us say we will vote on the Ervin amendment Wednesday at 2 o'clock.

Mr. ALLEN. That is all right.

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

Mr. ABOUREZK. Mr. President, reserving the right to object, I was not too clear and want to ask a question. What disposition was made of the Energy Act in this unanimous consent agreement? Was it only to set it aside and bring it back after disposition——

Mr. ROBERT C. BYRD. The Senator has asked an appropriate question. The answer is "yes." It could be brought up as the situation from time to time permits the leadership to do so. If a gap develops, the leadership would move to bring the energy bill up. On next Monday, however, the energy bill would come up on the first track and then the vote would occur on the Dole amendment at 3 p.m. Then we would go later in the afternoon to the education bill. There might conceivably, on down the road between Monday next, and the following Tuesday a week, be an opportunity when the energy bill could be called up in order to best utilize the time of the Senate.

Mr. ABOUREZK. I ask that because I have several amendments I want to offer to the energy bill, and I did not want to be foreclosed.

Mr. ROBERT C. BYRD. The Senator will not be foreclosed.

Mr. MATHIAS. Mr. President, reserving the right to object, I have an amendment which I have discussed with several of those who will be managers of the bill which deals with a program for providing equal education for the handicapped.

As the Members of the Senate know, there are court decisions now in several States which enunciate the principle that the handicapped child has an equal right to an education with the normal child. But if these rulings proliferate—and I hope that they do because I support the principle—but if the rulings proliferate, there will be a substantial crisis in education in many States.

I feel that this amendment is a critical one, that it cannot be postponed and that it will take more than 1 hour. So I would wonder whether the distinguished Senator from West Virginia (Mr. ROBERT C. BYRD) would amend the request to provide that my amendment would be accorded 4 hours, which I hope we would not take but which we might take because of the seriousness of the subject and its complexity.

Mr. MANSFIELD. If the Senator from Maryland will yield to me, would not the Senator agree to 2 or 3 hours at the most, possibly? It is a subject I know something about. The Senator from Maryland knows a great deal more about it than I do. But I do not think that 4 hours or anywhere near 4 hours would be necessary for the kind of meritorious amendment the Senator from Maryland intends to offer.

Mr. MATHIAS. I am very much encouraged by the majority leader's statement. I would hope that the managers of the bill might take the amendment and we would not take any time at all on it. But I would be very happy to settle for 3 hours——

Mr. ROBERT C. BYRD. Mr. President——

Mr. MATHIAS. Two hours. [Laughter.] With the smile on the majority leader's face, I am happy to take 2 hours.

Mr. ROBERT C. BYRD. Mr. President, I amend my request accordingly.

Mr. BROCK. Mr. President, I hope that we did not reach a final decision on the time to vote on the Ervin amendment. It was suggested that 2 o'clock on Wednesday would be the time, which I could not accept. I would rather have some other time for it.

Mr. ROBERT C. BYRD. I could not hear the Senator. Will he please repeat?

Mr. BROCK. I understood that the request would be for a vote on the Ervin freedom of choice amendment to occur at 2 o'clock on Wednesday, and I cannot accept that.

Mr. MANSFIELD. I thought that was the Senator's own suggestion.

Mr. BROCK. No, sir—this Senator is trying to suggest an alternative. I see no reason why we cannot vote on Tuesday. The Senator from North Carolina wants to offer his amendment on Monday or Tuesday. That would be fine.

Mr. JAVITS. Can we not vote back to back on Wednesday?

Mr. BROCK. The Senator from Alabama (Mr. ALLEN) may want to speak to that.

Mr. ALLEN. I merely know that the Senator from North Carolina (Mr. ERVIN) is expecting to offer his amendment on Monday. I would hate to get unanimous consent prior to his having his "day in court" so to speak.

Mr. JAVITS. He will get it. It is all right with me if we want to vote before the Gurney amendment is voted on. In other words, have the vote on the Ervin amendment first and then on the Gurney amendment.

Mr. ALLEN. The Senator from Tennessee (Mr. BROCK) says that is not acceptable to him.

Mr. JAVITS. Is that not acceptable to the Senator from Tennessee? I thought that the time was his problem.

Mr. BROCK. I do not want to confuse the two issues here.

Mr. JAVITS. Then vote immediately on the Ervin amendment after the Gurney amendment. That would be the best way to handle it.

Mr. BROCK. I cannot speak for the Senator from North Carolina. We have a vote on the McClellan amendment on Tuesday. Why not vote on the Ervin amendment Tuesday?

Mr. JAVITS. We do not have a vote on that then.

Mr. BROCK. We do not? I wonder why we cannot place the Ervin vote after the McClellan vote on Tuesday?

Mr. ROBERT C. BYRD. I beg the Senator's pardon?

Mr. BROCK. I wonder why we cannot place the Ervin vote after the McClellan vote on Tuesday?

Mr. ALLEN. Tuesday would be fine, if that suits the Senator from New York.

Mr. JAVITS. I do not suppose we can do anything about it. I think we will concur on that.

Mr. President, I withdraw that, because the Senator from Rhode Island (Mr. PELL) just advises me that we are pretty well committed on all civil rights votes, to make them on Wednesday.

Why not vote back to back on Ervin immediately after the Gurney amendment? That is necessary from all the commitments we have made, from our point of view.

Mr. ALLEN. I do not have authority to speak for the Senator from North Carolina. That would suit me fine, but I feel that his rights should be protected.

Mr. JAVITS. Could not we make it so that the majority leader, if there is objection by Senator ERVIN, will simply put it up to us again? At least for tonight let us get it done this way.

Mr. BROCK. I see no reason to include that amendment in the agreement. We can seek a further agreement when Senator ERVIN is able to be here.

Mr. PELL. Mr. President, the understanding we have is that the busing and the civil rights amendments would be voted on on Wednesday——

Mr. JAVITS. And Thursday.

Mr. PELL. And Thursday if necessary. That was the understanding which I felt was agreed to.

Mr. ROBERT C. BYRD. My understanding was originally that all the busing amendments would be disposed of before the Senate proceeded to the consideration of the Curtis substitute. I was not, at that time, under the impression that busing amendments could not be offered on Tuesday.

Mr. ALLEN. That is exactly my understanding.

Mr. ROBERT C. BYRD. The Senator from New York understands differently.

Mr. ALLEN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. METZENBAUM). The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent to modify my request to the extent that Mr. ERVIN be recognized at some point on Wednesday to offer an amendment to the Gurney amendment no later than 3 p.m.

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

Without objection, the unanimous consent request is agreed to.

Mr. ROBERT C. BYRD. Mr. President, let me be sure that I stated my request in 2 or 3 aspects.

One, that the vote would occur on the Gurney amendment, as amended, if amended, at 4 p.m. on Wednesday.

The PRESIDING OFFICER. That is correct.

Mr. ROBERT C. BYRD. That request, as worded, would rule out a motion to table the Gurney amendment.

The PRESIDING OFFICER. The order

was to vote on the Gurney amendment itself. That is correct.

Mr. ROBERT C. BYRD. Second, the vote on the Dole amendment to the energy bill would occur at 3 p.m. this coming Monday.

The PRESIDING OFFICER. That is correct.

Mr. ROBERT C. BYRD. Rather than 3:30 p.m.

The PRESIDING OFFICER. It is 3 p.m. on Monday next.

Mr. ROBERT C. BYRD. I thank the Chair.

Mr. ROBERT C. BYRD subsequently said: Mr. President, I ask unanimous consent to revise the previous agreement in the following manner: that the vote occur on the Gurney amendment at 5 p.m. on Wednesday next rather than at 4 p.m.; provided further that a tabling *motion* be in order with respect to the Gurney amendment, as it is in all other areas of the agreement; and that it be in order for Mr. BAYH to offer an amendment to the Gurney amendment during the day on Wednesday, as well as Mr. ERVIN.

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

Mr. ROBERT C. BYRD. Mr. President, I think the Senate already has agreed with respect to Mr. ERVIN.

The PRESIDING OFFICER. Does the distinguished assistant majority leader care to set a time for a vote on the Bayh amendment?

Mr. ROBERT C. BYRD. No; not at this time.

The text of the unanimous-consent agreement is as follows:

Ordered, That during the further consideration of S. 1539, a bill to amend and extend certain acts relating to elementary and secondary education programs, and for other purposes, which will be resumed sometime during the afternoon of Monday, May 13, 1974, debate on any amendment (except an amendment to be offered by the Senator from Arkansas (Mr. McClellan) on which there shall be 3 hours debate, 2 hours to the Senator from Arkansas (Mr. McClellan) and 1 hour to the Minority Leader or his designee; 6 hours on an amendment to be offered by the Senator from Florida (Mr. Gurney); 6 hours on a substitute to be offered by the Senator from Idaho (Mr. McClure), for himself and others: 3 hours on an amendment to be offered by the Senator from Michigan (Mr. Griffin) and 2 hours to be offered by the Senator from Maryland (Mr. Mathias)) shall be limited to 1 hour, to be equally divided and controlled by the mover of such and the manager of the bill. Debate on amendments in the second degree, debatable motions and appeals shall be limited to 30 minutes, and controlled in the same manner as first degree amendments. Provided, That in the event the manager of the bill is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the Minority Leader or his designee. Provided, That amendments must be germane to the question pending before the Senate at the time it is offered and a motion to table any amendment would be in order.

Ordered further, That on the question of final passage of said bill debate shall be limited to 20 hours, to be equally divided and controlled, respectively, by the Majority and Minority Leaders or their designees: Provided, That the said Leaders, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, debatable motion or appeal.

Ordered further, That when the Senate resumes consideration of the bill on Tuesday, May 14, 1974, the Senator from Arkansas (Mr. McClellan) be recognized to call up his amendment, that when the Senate resumes the consideration of the bill on Wednesday, May 15, 1974, the Senator from Florida (Mr. Gurney) be recognized to call up his amendment, with a vote thereon to occur at 5:00 p.m. on that day and with the Senator from North Carolina (Mr. Ervin) to be recognized to offer an amendment to the amendment of the Senator from Florida (Mr. Gurney) not later than 3:00 p.m. on that day, and with an amendment to be offered by the Senator from Indiana (Mr. Bayh) to be in order to the amendment by the Senator from Florida.

Ordered further, That all the so-called "busing" amendments be disposed of by the hour of 1:00 p.m. on Thursday, May 16, 1974, and then the Senate proceed to the consideration of the amendment to be offered by the Senator from Idaho (Mr. McClure), for himself and others, which amendment shall be disposed of before the close of business on that day.

Ordered further, That on Monday, May 20, 1974, when the Senate resumes the consideration of the bill, S. 1539, the amendment of the Senator from Michigan (Mr. Griffin) be made the pending question and that any amendments thereto may be in order throughout the afternoon of that day and that any rollcall votes that are ordered on any such amendments be delayed until the hour of 2:00 p.m. on Tuesday, May 21, 1974, at which time all such votes shall occur in the order in which the amendments were offered, to be followed immediately by the vote on the amendment by the Senator from Michigan (Mr. Griffin), as amended, if amended.

Ordered further, That the vote on final passage of the bill (H.R. 69) shall occur before the close of business on Tuesday, May 21, 1974, and that if the amendment in the nature of the substitute by the Senator from Michigan is agreed to, the House bill, H.R. 69, be voted on before the close of business on that day.

THE MATTER OF IMPEACHMENT

Mr. HANSEN. Mr. President, I invite the attention of Senators to the fact that one of the reasons why the news media may be in some well-earned disrepute these days is the manner in which one of its number goes about reporting the news, and the careless fashion in which it handles facts.

I suspect that there is not a single Member of this body who has not been asked repeatedly about his position with respect to an impeachment action that might be brought to the Senate by the House of Representatives. Certainly, our office has been asked repeatedly, and we have said repeatedly essentially what I now say.

No Senator should make up his mind on this matter before evidence has been presented by the House of Representatives and that evidence weighed. The Constitution provides that the House of Representatives shall have the sole power to impeach. Every Senator is aware of his potential role as a juror should impeachment occur, and therefore has a solemn duty to reserve judgment until he has studied whatever evidence may be presented.

We told that to a representative of the Boston Globe when our office was called, and despite that fact, I was amazed and angered to see headlined on the front page of the Boston Globe, in its edition of Thursday morning, May 9, this statement:

Nixon has 15 "sure" Senate votes, is trying for 38.

The story commences as follows:

President Nixon is concentrating on 38 Senators as his final hope against removal from office in an impeachment trial and has 15 secure votes so far, according to a survey made by The Globe's Washington bureau.

The story continues:

The survey—conducted among Senators, staff aides and Capitol Hill lobbyists—found that most of those interviewed expect the President to be impeached by the House in a majority vote. Several White House aides also concede this prospect privately.

I will not read the entire story, but I ask unanimous consent that it be printed in the RECORD.

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

[From the Boston Globe, May 9, 1974]

NIXON HAS 15 "SURE" SENATE VOTES, IS TRYING FOR 38

WASHINGTON.—President Nixon is concentrating on 38 senators as his final hope against removal from office in an impeachment trial and has 15 secure votes so far, according to a survey made by The Globe's Washington bureau.

The survey—conducted among senators, staff aides and Capitol Hill lobbyists—found that most of those interviewed expect the President to be impeached by the House in a majority vote. Several White House aides also concede this prospect privately.

The Constitution requires a two-thirds vote of the 100 senators for conviction and removal from office. To gain the 34 votes necessary for aquittal, Mr. Nixon has been courting the 38 potential allies by shaping Administration policies, appointments and presidential travel plans.

The survey shows, however, that Mr. Nixon can now count on only 15 solid votes for acquittal. The rest of the 38 are "leaners" and even some of the President's severest critics have not been dismissed as hopeless.

Despite the uncertainties of the timing of a Senate trial (most expect a trial by late summer), the following senators are expected to vote to aquit the President, barring the most bizarre, unforeseen developments:

Wallace F. Bennett (R-Utah), Norris Cotton (R-N.H.), Carl T. Curtis (R-Neb.), James O. Eastland (D-Miss.), Paul J. Fannin (R-Ari.).

Also, Edward J. Gurney (R-Fla.), Clifford P. Hansen (R-Wyo.), Jesse A. Helms (R-N.C.), Roman L. Hruska (R-Neb.), John L. McClellan (D-Ark.).

Also, James A. McClure (R-Idaho), William L. Scott (R-Va.), John C. Stennis (D-Miss.), Strom Thurmond (R-S.C.), and John G. Tower (R-Tex.).

The 15 "stone wallers" in Administration strategies are joined by 23 others whom White House aides hope can be persuaded to acquit the President of impeachment charges:

George Aiken (R-Vt.), James B. Allen (D-Ala.), Dewey F. Bartlett (R-Ok.), Henry Bellmon (R-Ok.), Alan Bible (D-Nev.).

Also, Bill Brock (R-Tenn.), Harry Byrd (D-Va), Howard W. Cannon (D-Nev.), Marlow W. Cook (R-Ky.), Robert J. Dole (R-Kans.).

Also, Pete V. Domenici (R-N.M.), Peter H. Dominick (R-Colo.), Hiram L. Fong, (R-Hawaii), Barry Goldwater (R-Ari.), Robert P. Griffin (R-Mich.), J. Bennett Johnston (D-La.).

Also, Russell B. Long (D-La.), Sam Nunn (D-Ga.), William V. Roth (R-Del.), Hugh Scott, (R-Pa.), John J. Sparkman (D-Ala.), Herman E. Talmadge (D-Ga.), and Milton R. Young (R.-N.D.).

The courtship of the 38 senators has been most visible in the President's recent travel schedule. After praising Sens. Allen and Sparkman in Alabama, Stennis and Eastland in Mississippi, Goldwater and Fannin in Arizona, the President travels to Stillwater, Ok., this weekend to receive an honorary degree from Oklahoma State University and possibly to flatter Sens. Bellmon and Bartlett.

Air Force One is not the only device used in this drive. Mr. Nixon has shifted Administration policies on several key bills after protests from his potential supporters.

The Administration once backed, but later opposed, a Federal land-use bill after protests from Goldwater and Fannin. When the Department of Agriculture opposed a bill indemnifying Mississippi chicken farmers for contaminated poultry, the White House intervened on Eastland's behalf and the bill passed the Senate.

The White House has also used the power of presidential appointments to please possible pro-Nixon voters. Eastland's press secretary, Larry Speakes, recently joined the White House staff as an assistant to communications director Ken W. Clawson.

When Pentagon officials wanted to name Paul Nitze as assistant secretary of defense for International Affairs, Goldwater objected, harking back to debates on defense strategy when Nitze served in the Kennedy and Johnson administrations. The White House dropped Nitze's name after Goldwater objected.

Few of the 100 senators have committed themselves publicly on how they will vote. "You must remember we are potential jurors," said one Southerner last week. "You fellows wouldn't ask jurors in a court case how they'll vote, would you?"

But some senators have said that from the facts available there is not enough evidence to convict the President. After the Easter recess, several senators said their constituents still supported the President. That was before the release by the White House of massive transcriptions of Presidential conversations.

"Most people feel the evidence is not yet in to make impeachment necessary," said Sen. Johnston of his Louisiana constitutents. He was echoed by Sen. Long and later by Sens. Tower of Texas and Roth of Delaware.

Most of those interviewed cautioned that this unusual Senate circumspection cloaked complexities far different from those surrounding an everyday roll call.

"Don't forget, many of these guys have been influenced by Jack Kennedy's book, 'Profiles in Courage,' especially that chapter on Edmund Ross. They see a chance to achieve heroism by being totally unpredictable," says one Senate aide.

Ross, a Kansas Republican, provided the crucial vote, acquitting President Andrew Johnson, who had been impeached in 1868.

"You're dealing with the subtleties of 100 complicated psyches," says another Senate staffer.

The official rhetoric of senators may bear less resemblance than normally to their intentions on the historic vote. One border-state Democrat who has called for caution and fairness in dealing with the President explains his private motivations this way:

"Look, we have to make sure we drive the stake right into his heart at the right time. That's the reason we have to be so scrupulously fair. I've always figured Nixon is like Dracula; he keeps coming back."

Mr. HANSEN. I also invite attention to the fact that when my office is called and we respond directly to an inquiry, I think I have a right to be shocked by this kind of reporting. I do not believe anyone can speak as well for my office as I can. I have done that. The people on my staff know precisely how I feel, and they have not been reluctant at all to tell anyone and everyone who has made inquiry into what my position is.

It is well known that there are Members of this body who find less favor in the President than I do. But it certainly is true that I have told no one that I could be counted on to vote one way or another. I have said scrupulously, repeatedly, that I felt that we should keep an open mind on this action and that, along with others, I was prepared to listen in an attentive manner to whatever evidence was presented by the House, in the event that an impeachment action were voted over there, and then to make my judgment here as a Member of the Senate based upon that presentation of evidence.

I think if this example is typical of the reporting that the Boston Globe does, I must say that I feel somewhat sympathetic to the people of the great State of Massachusetts in that they have no more reason to place confidence in the Globe's Washington reporting than I would assume might well be merited by this example of reporting, that seems to me to be pretty careless.

I regret to see a news bureau that does not try to be more honest than presumably it was in this case. I regret that they deliberately misquoted what I have said repeatedly.

We tried earlier today to call Martin Nolan, the Washington bureau manager for the Boston Globe, to tell him of my concern. We were unable to contact him—I understand he is in Boston—and I was unable to talk to him. But this kind of reporting does not help engender the support and admiration for the press that I wish might be the case.

QUORUM CALL

The PRESIDING OFFICER. What is the will of the Senate?

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for a quorum call be rescinded.

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

ORDER FOR RECOGNITION OF SENATOR PROXMIRE ON MONDAY, MAY 13, 1974

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that on Monday next, Mr. PROXMIRE be recognized for not to exceed 15 minutes after the two leaders have been recognized under the standing order.

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

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, May 9, 1974, he presented the President of the United States the following enrolled bills:

S.245. An act for the relief of Kamal Antoine Chalaby;

S. 428. An act for the relief of Edward Schofield (Ernesto Espino); and

S. 3304. An act to authorize the Secretary of State or such officer as he may designate to conclude an agreement with the People's Republic of China for indemnification for any loss or damage to objects in the "Exhibition of the Archeological Finds of the People's Republic of China" while in the possession of the Government of the United States.

QUORUM CALL

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

ORDER OF BUSINESS

Mr. ROBERT C. BYRD. Mr. President, has the order for the next convening of the Senate been already entered?

The PRESIDING OFFICER. Yes; the Senate will convene on Monday.

Mr. ROBERT C. BYRD. At 12 noon?

The PRESIDING OFFICER. That is correct.

Mr. ROBERT C. BYRD. I thank the Chair.

ORDER FOR PERIOD FOR TRANSACTION OF ROUTINE MORNING BUSINESS ON MONDAY NEXT

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that after Mr. PROXMIRE is recognized on Monday, there be a period for the transaction of routine morning business of not to exceed 30 minutes, with statements limited therein to 5 minutes each.

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

ORDER FOR ADJOURNMENT FROM MONDAY NEXT TO TUESDAY AT 10 A.M.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business on Monday, it stand in adjournment until the hour of 10 a.m. on Tuesday next.

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

ORDER FOR PERIOD FOR TRANSACTION OF ROUTINE MORNING BUSINESS ON TUESDAY NEXT

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that after the two leaders or their designees have been

recognized and any orders for the recognition of Senators have been consummated on Tuesday, next, there be a period for the transaction of routine morning business of not to exceed 30 minutes, with statements limited therein to 5 minutes each.

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

ORDER FOR ADJOURNMENT FROM TUESDAY NEXT TO WEDNESDAY AT 9 A.M. AND FOR A PERIOD FOR TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business on Tuesday next, it stand in adjournment until the hour of 9 a.m. on Wednesday next, and that at the conclusion of any special orders, if any be entered prior to that time, or after the two leaders have been recognized, whichever is the case, there be a period for the transaction of routine morning business of not to exceed 15 minutes, with statements therein limited to 5 minutes each.

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

ORDER FOR ADJOURNMENT FROM WEDNESDAY NEXT TO THURSDAY AT 9 A.M.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business on Wednesday next, it stand in adjournment until the hour of 9 a.m. on Thursday next.

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

ORDER FOR PERIOD FOR TRANSACTION OF ROUTINE MORNING BUSINESS ON THURSDAY NEXT

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that following the recognition of the two leaders or their designees under the standing order on Thursday next, there be a period for the transaction of routine morning business of not to exceed 15 minutes, with statements limited therein to 5 minutes each.

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

ORDER FOR ADJOURNMENT FROM THURSDAY NEXT TO FRIDAY AT 10 A.M.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business on Thursday next, it stand in adjournment until the hour of 10 a.m. on Friday next.

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

ORDER OF BUSINESS

Mr. ROBERT C. BYRD. Mr. President, has the order already been entered for the convening of the Senate at the hour of 11 a.m. on Monday, May 20?

The PRESIDING OFFICER. That is correct.

Mr. ROBERT C. BYRD. I thank the Chair.

ORDER FOR ADJOURNMENT FROM MONDAY, MAY 20, TO TUESDAY, MAY 21, AT 9 A.M.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business on Monday, May 20, it stand in adjournment until the hour of 9 a.m. on Tuesday, May 21.

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

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

UNANIMOUS-CONSENT AGREEMENT REGARDING H.R. 11864

Mr. ROBERT C. BYRD. Mr. President, I am advised by Mr. CRANSTON that this unanimous-consent request has been cleared on both sides, to wit: That the unanimous-consent agreement of March 13 by Senator Moss—that the Committees on Commerce, Banking, Housing and Urban Affairs, Labor and Public Welfare, and Interior and Insular Affairs shall have 30 days to report H.R. 11864, the "Solar Heating and Cooling Demonstration Act of 1974," as that agreement was modified, pursuant to its terms, by the unanimous consent agreement of April 4 by the distinguished Majority Leader (Mr. MANSFIELD), extending the reporting deadline for an additional 30 days—be modified so as to permit the committees in question to file reports on the bill, which has been ordered reported by both the Committee on Labor and Public Welfare and the Committee on Banking, Housing and Urban Affairs, not later than next Tuesday, May 14, which extends only a 1-day postpoement.

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

PROGRAM

Mr. ROBERT C. BYRD. Mr. President, there will be no session tomorrow.

When the Senate convenes on Monday, it will convene at the hour of 12 o'clock noon. There will be a statement by Mr. PROXMIRE under the order previously entered recognizing him for 15 minutes, after which there will be a period for the transaction of routine morning business of not to exceed 30 minutes, with statements limited therein to 5 minutes.

At the conclusion of the routine morning business, the Senate will resume consideration of the energy bill, S. 3267.

At the hour of 2 p.m., the amendment by Mr. DOLE, amendment No. 1266, dealing with speed limits, will be called up. There is a 1-hour time limit on that amendment, the time to be equally divided in accordance with the usual form, and the vote to occur thereon at 3 p.m.

Following that vote, or at some point subsequent thereto that afternoon, the leader has been authorized to resume consideration of the unfinished business, and, Mr. President, the unfinished business is S. 1539. Is it not?

The PRESIDING OFFICER. That is correct.

Mr. ROBERT C. BYRD. I thank the Chair; and a time agreement has been entered thereon.

Votes in connection with amendments to that bill may occur on Monday.

Conference reports may be called up at any time.

Other bills, cleared for action, may also be called up, and votes, of course, can occur thereon.

ADJOURNMENT TO MONDAY, MAY 13, 1974

Mr. ROBERT C. BYRD. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in adjournment until the hour of 12 o'clock noon on Monday next.

The motion was agreed to; and at 6:40 p.m., the Senate adjourned until Monday, May 13, 1974, at 12 o'clock noon.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 9, 1974:

U.S. POSTAL SERVICE

The following-named person to be a Governor of the United States Postal Service for the term indicated:

For the remainder of the term expiring December 8, 1979:

Hayes Robertson, of Illinois.

DEPARTMENT OF JUSTICE

Bert C. Hurn, of Missouri, to be U.S. attorney for the western district of Missouri for the term of 4 years.

Lawrence A. Carpenter, of Texas, to be a member of the board of parole for the term expiring September 30, 1977.

(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.)