STANTON, Mr. STARK, Mr. STOKES, Mr. STUDDS, Mr. THOMPSON of New Jersey, Mr. TIERNAN, Mr. WHITEHURST, Mr. CHARLES WILSON of Texas, Mr. WOLFF, Mr. YATRON, and Mr. YOUNG of Georgia):

H.R. 15423. A bill to amend title II of the Social Security Act to provide that the special procedure for expediting benefit payments (where such payments are not regularly made when due) shall apply to benefits based on disability in the same way it applies to other benefits under such title if entitlement has already been established and the benefits involved have been paid for 1 or more months; to the Committee on Ways and Means.

By Mr. SIKES (for himself, Mr. PERKINS, Mr. HAMMERSCHMIDT, Mr. MANN, Mr. BRINKLEY, and Mr. GINN):

H.R. 15424. A bill to amend the Agricultural Act of 1970 to increase the amount authorized to be appropriated for the forestry incentive program administered under title X of such act and to increase the size of a tract which may be affected by such program; to the Committee on Agriculture.

By Mr. SIKES (for himself, Mr. JONES of North Carolina, Mr. MONTGOMERY, Mr. ALEXANDER, Mr. SLACK, Mr. LOTT, Mr. ROYBAL, Mr. MEEDS, Mrs. HANSEN of Washington, Mr. BEVILL, Mr. LATTA, Mr. WILLIAMS, Mr. JOHNSON of Pennsylvania, Mr. YATRON, Mr. CLEVELAND, Mr. FUQUA, Mr. CHAPPELL, Mr. WAGGONNER, Mr. DORN, Mr. DAVIS of South Carolina, Mr. FREY, Mr. DICKINSON, Mr. DON H. CLAUSEN, Mr. EDWARDS of Alabama, and Mr. KYROS):

H.R. 15425. A bill to amend the Agricultural Act of 1970 to increase the amount authorized to be appropriated for the forestry incentive program administered under title X of such act and to increase the size of a tract which may be affected by such program; to the Committee on Agriculture.

By Mr. SKUBITZ:

H.R. 15426. A bill to amend the Consolidated Farm and Rural Development Act to establish a loan insurance program for livestock producers and feeders; to the Committee on Agriculture.

By Mr. STAGGERS:

H.R. 15427. A bill to amend the Rail Passenger Service Act of 1970 to provide financial assistance to the National Railroad Passenger Corporation, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. STAGGERS (for himself and Mr. DEVINE):

H.R. 15428. A bill to amend the Rail Passenger Service Act of 1970 and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. WHITE:

H.R. 15429. A bill to amend title XVIII of the Social Security Act to provide payment under pt. A (the hospital insurance program) for care and treatment furnished at a central radiation therapy treatment facility, and to provide full payment under pt. B (the supplementary medical insurance program) for radiation therapy services furnished by physicians to inpatients or outpatients of any hospital or any such facility; and for other purposes; to the Committee on Ways and Means.

By Mr. MAHON:

H.J. Res. 1061. Joint resolution making further urgent supplemental appropriations for the fiscal year ending June 30, 1974, for the Veterans' Administration, and for other purposes; to the Committee on Appropriations.

By Mr. ASPIN (for himself, Ms. ABZUG, Mr. BROWN of California, Mrs. BURKE of California, Mr. FRASER, Mr. HECHLER of West Virginia, Mr. LONG of Maryland, Mr. METCALFE, and Mr. STOKES):

H. Con. Res. 543. Concurrent resolution expressing the sense of Congress concerning how it should receive foreign policy information during the period from the impeachment of the President by the House of Representatives until the Senate votes on such impeachment; to the Committee on Foreign Affairs.

By Mr. ASPIN (for himself, Ms. ABZUG, Mr. BROWN of California, Mr. FRASER, Mr. HECHLER of West Virginia, and Mr. STOKES):

H. Con. Res. 544. Concurrent resolution expressing the sense of Congress concerning the President not signing any agreement with a foreign country or international organization during the period from his impeachment by the House of Representatives until the Senate votes on such impeachment; to the Committee on Foreign Affairs.

H. Con. Res. 545. Concurrent resolution expressing the sense of Congress concerning the President not traveling abroad on Government business during the period from his impeachment by the House of Representatives until the Senate votes on such impeachment, and concerning a foreign head of state not making an official visit to the United States during such period; to the Committee on Foreign Affairs.

By Mr. DERWINSKI (for himself, Mr. ANNUNZIO, Mr. BAFALIS, Mr. EILBERG, Mr. FRENZEL, Mr. HORTON, Mr. LENT, Mr. SARASIN, and Mr. STEELE):

H. Con. Res. 546. Concurrent resolution expressing the sense of Congress concerning recognition by the European Security Conference of the Soviet Union's occupation of Estonia, Latvia, and Lithuania; to the Committee on Foreign Affairs.

By Mr. O'NEILL (for himself, Mr. RHODES, and Mr. GROVER):

H. Res. 1177. Resolution to condemn terrorist killings of schoolchildren in Israel; to the Committee on Foreign Affairs.

By Mr. SHOUP:

H. Res. 1178. Resolution to declare a moratorium on the deelectrification of rail lines and study all implications of electrification of railroads; to the Committee on Interstate and Foreign Commerce.

H. Res. 1179. Resolution to rescind the Executive order lifting restrictions on beef imports; to the Committee on Ways and Means.

By Mr. SYMINGTON:

H. Res. 1180. Resolution requesting that each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Canal Zone, American Samoa, and the Trust Territory of the Pacific Islands conduct a survey or study to determine the views of their citizens with respect to abortion laws; to the Committee on the Judiciary.

MEMORIALS

Under clause 4 of rule XXII, memorials were presented and referred as follows:

499. By the SPEAKER: Memorial of the Senate of the State of New Jersey, relative to the terrorist killings in Israel; to the Committee on Foreign Affairs.

500. Also, memorial of the Legislature of the State of California, relative to the designation of American Business Day; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BLATNIK:

H.R. 15430. A bill to require the Foreign Claims Settlement Commission to reopen and redetermine the claims of George Radin against the Government of Italy, and for other purposes; to the Committee on the Judiciary.

By Mr. BROYHILL of Virginia:

H.R. 15431. A bill for the relief of Edward J. Callahan; to the Committee on the Judiciary

By Mr. KASTENMEIER:

H. Res. 1181. Resolution to refer the bill (H.R. 15403) entitled "A bill for the relief of Marlin Toy Products, Inc., to the Chief Commissioner of the Court of Claims pursuant to sections 1492 and 2509 of title 28, United States Code, as amended; to the Committee on the Judiciary.

PETITIONS, ETC.

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

449. By the SPEAKER: Petition of Ruth E. Bandy and other employees of the District of Columbia Manpower Administration, Washington, D.C., relative to the competitive service status of positions in the District of Columbia Manpower Administration after its transfer to the District of Columbia government; to the Committee on the District of Columbia.

450. Also, petition of the Creek County Bar Association, Sapulpa, Okla., relative to no-fault automobile insurance; to the Committee on Interstate and Foreign Commerce.

SENATE—*Monday, June 17, 1974*

The Senate met at 9:45 a.m. and was called to order by Hon. JAMES B. ALLEN, a Senator from the State of Alabama.

PRAYER

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

Direct us, O Lord, in all our doings, with Thy most gracious favor, and further us with Thy continual help; that in all our works begun, continued, and ended in Thee, we may glorify Thy holy name and finally, by Thy mercy, obtain everlasting life, through Jesus Christ our Lord. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

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

The second assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., June 17, 1974.

To the Senate:

Being temporarily absent from the Senate on official duties, I appoint Hon. JAMES B. ALLEN, a Senator from the State of Alabama,

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

to perform the duties of the Chair during my absence.

JAMES O. EASTLAND,
President pro tempore.

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

REPORT OF A COMMITTEE SUBMITTED DURING ADJOURNMENT

Under authority of the order of the Senate of June 13, 1974, Mr. HART, from the Committee on Commerce, reported favorably, with amendments, on June 14, 1974, the bill (H.R. 11537) to extend and expand the authority for carrying out conservation and rehabilitation programs on military reservations, and to authorize the implementation of such programs on certain public lands and submitted a report (No. 93-934) thereon, which was printed.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Thursday, June 13, 1974, be dispensed with.

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

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Berry, one of its reading clerks, announced that the House had agreed to the amendment of the Senate to the bill (H.R. 12165) to authorize the construction, operation, and maintenance of certain works in the Colorado River Basin to control the salinity of water delivered to users in the United States and Mexico.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 14434) making appropriations for energy research and development activities of certain departments, independent executive agencies, bureaus, offices, and commissions for the fiscal year ending June 30, 1974, and for other purposes, agrees to the conference requested by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MAHON, Mr. WHITTEN, Mr. EVINS of Tennessee, Mr. BOLAND, Mr. STEED, Mr. SLACK, Mrs. HANSEN of Washington, Mr. MCFALL, Mr. CEDERBERG, Mr. DAVIS of Wisconsin, Mr. ROBISON of New York, Mr. MCDADE, and Mr. RUTH were appointed managers of the conference on the part of the House.

The message also announced that the House had passed a bill (H.R. 13839) to authorize appropriations for carrying out the provisions of the International Economic Policy Act of 1972, as amended, in which it requested the concurrence of the Senate.

The message further announced that the House had agreed to a concurrent resolution (H. Con. Res. 537) designating the 21 days from June 14 to July 4, 1974, as a period to honor America.

HOUSE BILL REFERRED

The bill (H.R. 13839) to authorize appropriations for carrying out the provisions of the International Economic Policy Act of 1972, as amended, was read twice by its title and referred to the Committee on Banking, Housing and Urban Affairs.

HOUSE CONCURRENT RESOLUTION REFERRED

The concurrent resolution (H. Con. Res. 537) designating the 21 days from June 14 to July 4, 1974, as a period to honor America was referred to the Committee on the Judiciary.

WAIVER OF CALL OF THE CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the call of the calendar for unobjected-to measures pursuant to rule VIII be waived.

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

ORDER OF SPEAKERS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that in the order of speakers the Senator from Utah (Mr. Moss) be replaced in the scale by the Senator from Nebraska (Mr. HRUSKA).

The ACTING 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.

EXPRESSIONS OF CONFIDENCE IN SECRETARY KISSINGER

Mr. HUGH SCOTT. Mr. President, newspaper columnists generally have reacted to the unwarranted assault on the Secretary of State predictably, and almost uniformly in favor of the Secretary and of the position taken by him in this controversy.

Of course, we are in the era of dirty tricks, which we have condemned in the past, and in my opinion it is a dirty trick to create false impressions about the Secretary of State. I think we have had enough dirty tricks, and it is time that everybody abjured them wholly; and I think we ought to call these things by their proper names. When they happen to some people they are called dirty tricks; when they happen to other people, they are called anything from semantic differences to perjury. We have witnessed a ridiculous exercise here in police court tactics, and I deplore it.

I recently put into the RECORD a column by Mr. Marquis Childs. I note there was a similar column by Mr. Joseph Alsop. I ask unanimous consent to have printed in the RECORD at the end of my remarks an article entitled "Character Assassination," written by Gould Lincoln and published in the Washington Star-News of June 15, 1974, an article entitled "Dirty Linen in a Teacup," written by Charles Bartlett and published in the Washington Star-News of the same date; an article written by Richard Wilson entitled "Watergate Has Gone Too Far"; and the lead editorial published in the Washington Star-News of yesterday, June 16, 1974, entitled "Watergate: A New Level of Inanity."

All of these articles make the same point.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. (See exhibits 1, 2, and 3.)

Mr. HUGH SCOTT. I add that at the conclusion of yesterday's Star-News editorial, there is the comment that the President should come forward and make it clear that he initiated the order for electronic surveillance.

How short memory is. Because a few months ago, in a public statement, the President said exactly that. He said it to the point, and he said it clearly: that he had initiated this surveillance. This should be enough. Public memory being as short as it is, even the editorial writer has forgotten.

I call attention to the appearance on "Face the Nation" yesterday of Mr. William Ruckelshaus, the former Acting Director of the FBI, who completely confirms the previous statements made by Dr. Kissinger. He has done so also in meetings of the Committee on Foreign Relations, as did the former Attorney General, Mr. Elliot Richardson.

Tomorrow further inquiry of the Senate Committee on Foreign Relations will begin. I hope it can be handled expeditiously. Dr. Kissinger is entitled to have his name cleared, even though it should never have been smeared by this type of vicious, irresponsible reporting.

I, therefore, urge the Committee on Foreign Relations, of which I am a member, to proceed immediately and promptly, and then to make their report, which in my judgment will be substantially the same report as we have already made.

EXHIBIT 1

[From the Washington Star-News, June 15, 1974]

CHARACTER ASSASSINATION

(By Gould Lincoln)

Character assassination has become the new—and old—way of life in the Nation's Capital. The latest victim is Secretary of State Henry A. Kissinger.

The gossip hounds are in full cry, seeking to drag him down. They began months ago attacking President Nixon, whom they now seek to impeach as having been responsible for Watergate and all its related charges, including lying about cover-up attempts. They are now fastening their teeth in the pants of Vice President Gerald R. Ford because, as they say, he blows hot and cold over his support of the President and what he does.

Kissinger, in a long and heated press conference in Salzburg, threatened to resign from his office if he was not completely and publicly cleared of the charges made in the Washington Post and followed up in the news media that he had wiretaps made on four newsmen and 13 members of his staff, their conversations and their actions, all this in 1969-1971. The Washington Post claimed it had obtained the information about Kissinger's orders for taps not from the files of the House Judiciary Committee, or through leaks by any of its members, but from the files of the FBI itself, which were marked "secret" and subject to executive privilege.

Many Members of both the House and Senate are rushing to defend Kissinger and

urging him not to resign. Dispatches from the Middle East and from abroad are saying that a Kissinger resignation would be a disaster to the conduct of U.S. foreign affairs, leaving a great void.

It is understandable that Kissinger should have felt indignant to find he was being charged with lying and even perjury in his statements to the Senate Foreign Relations Committee, instead of being praised for bringing about arrangements of real meaning, looking to peace between the Arab nations and Israel, an accomplishment which was being hailed abroad and indeed in this country. But such has been the reward of others, among them Richard Nixon.

Character assassination, however, has been the reward of many presidents of the United States, indeed, almost all from General Washington down the line, some of them weak and others strong. Washington was called a dumb head who never won a battle in the war for freedom from England, but always retreated, until the French came to his aid. Thomas Jefferson was charged with running away from his home by the back door as the British charged his front door.

In more modern times, Woodrow Wilson, a strong president, whether you like him or not, was called by the gossips, "Peck's bad boy," a relic of his presidency of Princeton University. Warren G. Harding died of a broken heart, not only because he was charged with illicit love affairs, but because he was betrayed by supposed friends, some of them in his Cabinet.

Franklin D. Roosevelt, four times elected president, is remembered not only as having violated the two-term tradition for presidents, but also as having allowed the Russians to pull the wool over his eyes and move into West Germany and Berlin, a cause of trouble to this day, and for his proposal to "pack" the Supreme Court, to get his New Deal laws to be held constitutional.

DIRTY LINEN IN A TEACUP

(By Charles Bartlett)

To mix a few metaphors, the Henry Kissinger fracas appears to be a matter of washing dirty linen in a teacup tempest.

First of all, the secretary of State is apparently not bluffing when he says he will resign if this challenge to his honor is not expunged. Kissinger's loyalty to his image invariably transcends other considerations, and his mood is said to be angry and determined. After all, retirement at the peak of diplomatic accomplishment could be wise and timely.

Secondly, President Nixon, far more antagonistic than Kissinger toward leaks and the press and inevitably suspicious of the young intellects assembled for the Kissinger staff, seems determined to stay out of the fracas. The bugging incident reflects Nixon's spirit and inclinations far more than Kissinger's and the President could ease the present situation with a clear endorsement of what was done. But the bland statement he issued instead is a sign that he means to let his subordinate take the heat on this one.

It is also a sign of their brittle, complex and wary relationship, another inducement to Kissinger's retirement. Eighteen months ago Nixon was ready to fire Kissinger because he felt he had not been loyal through the ordeal of the 1972 Christmas bombing Kissinger survived then as a Nixon official only because the President encountered adversity, and his star has been rising while the President's faded. There is bitter feeling in the White House that the secretary of State has been high-handed in taking advantage of the Watergate bind.

Kissinger has clearly belied his past demonstrations of finesse in handling the issue of the tapped aides. If he had stayed characteristically candid, he could have buried the affair at the outset. Instead he has allowed press attention to focus on the peripheral question of who ordered the taps and has seemed to hedge his own role. Perhaps out of embarrassment he has let his defensive behavior encourage the assaults of the press conference prosecutors.

The ugly style in which two of those prosecutors put their questions as last week's press conference had the look of a reach for TV coverage. Those who are anxious to prosecute Kissinger for perjury insist that he be measured by the same yardstick of truthfulness which has been applied to other presidential aides in the Watergate probe. They are willing to destroy him because they believe he has lied.

This is an extraordinarily stern judgment, an extreme example of reportorial righteousness. Kissinger's testimony belittling his role in the wiretaps was an effort to protect his image, not an obstruction of justice. On the other hand, the Nixon aides who are being punished for perjuries in the Watergate case plainly lied because they wanted to obscure what really happened in a case related to the crime of burglary.

If Kissinger did indeed minimize his association with the FBI taps, he cannot be said to have obstructed justice because it was not in 1969 illegal to eavesdrop in domestic cases involving national security. It was not, then as now, a nice thing to do, but the Senate Foreign Relations Committee has examined, case by case, the targets of the taps and failed to contest Kissinger's judgment that the potential damage of the leaks justified a distasteful resort to bugs.

So the proescutors are exercised over what seems to be a small issue. Did Kissinger urge the taps or did he merely accede to a strategy proposed by J. Edgar Hoover or the President? Various bits are being leaked, but Hoover's memorandum on the conversation in the Oval Office is described as ambiguous by responsible men. The confused interpretations by members of the House Judiciary Committee make it apparent that the evidence is not clear cut.

The nation, worried that Washington has lost its perspective, will not be reassured by this episode. It can only feed the widespread suspicion that the investigators and prosecutors are out to level everyone in sight. They will do better to stick close to the central issue of impeachment.

EXHIBIT 2

WATERGATE HAS GONE TOO FAR

(By Richard Wilson)

As in most human affairs, things will never be quite the same after the emotional explosion of Henry A. Kissinger. His threat to resign as secretary of State if his "honor" is not sustained must be taken very seriously if only because, once injected into public debate, this idea may develop a self-propelling character.

That would be an appalling consequence of the Watergate madness. Its prospect tends to crystallize the view shared by an increasing number that Watergate has gone too far if it drives to distraction a brilliant diplomatic strategist and negotiator with Kissinger's acknowledged achievements.

Kissinger certainly had in mind dramatizing that point in his emotion-laden press conference in Salzburg. But to judge his action as a tactic in confrontation politics seriously underestimates the gravity with which the problem ought to be viewed.

Watergate has, in fact, gone too far. It is undermining stable government and constructive policy. It must be brought to a conclusion without delay.

And so Kissinger's tense ultimatum was far from silly, but a bold expression of a conviction which has been bearing in on him for months that large affairs cannot be conducted in a crisis of confidence which is continuously extended day after day.

Inferences, innuendo, accusations constantly repeated, never proved or disproved and subject to continuous interpretation and reinterpretation, have created a poisonous atmosphere suffocating Washington.

In the next couple of weeks, the Foreign Relations Committee will review the Kissinger case and probably come out where it was in the first place. The committee had evidence from the beginning from which a prosecutor's mind could draw inference that Kissinger did more than merely go along in a Nixon-approved wiretapping project to find the source of national security leaks which were compromising secret international negotiations and actions.

In its 15–1 vote for Kissinger's confirmation, the committee in effect decided to subordinate such inferences to the larger consideration that Kissinger's great achievements overwhelmingly qualified him to be secretary of State.

The committee has already judged that what he told them was more compelling than such evidence as was provided by J. Edgar Hoover's written justifications of FBI action as on orders by Kissinger. In any case, Kissinger's involvement with wiretaps that were both justifiable and precedented was not enough to dishonor him.

But the innuendos arising from unnamed sources in the House Judiciary Committee that Kissinger lied about his involvement required Kissinger to say more (and he has done so). He will appear again before the Foreign Relations Committee to convince its members he did not lie to them. This is a course fitting Kissinger's own standards of honor.

The larger question is how much more of this the country can stand, and if Kissinger has brought that point to the forefront of public consciousness he will have done a good thing.

But there is always the risk that the Watergate madness, magnifying minor derelictions into monstrous crimes, will in the end suffocate the most brilliant international negotiator of this century.

That would be a very high penalty to pay for acts intended to prevent the sabotage of American policy through leaked secret information.

Sen. Goldwater is right. Kissinger would have been derelict in his duty if he had not cooperated in using every legal means to stop the leaking of top classified material and held the leakers to account.

But in the upside-down world of Watergate, the culprits are not those who were passing out classified information on secret American negotiating positions in nuclear arms talks, but those who were trying to stop it. This is why it cannot be excluded that Kissinger will become so ensnared in emotional intrigue that his threat to resign may propel itself into a ridiculous fulfillment which would shame those who would bring him down.

EXHIBIT 3

WATERGATE: A NEW LEVEL OF INANITY

Of all the excursions into absurdity that Watergate has produced, the current charges leveled against Secretary of State Henry Kissinger strike us as the most bizarre. Essentially, we are being asked to believe that Kissinger has lied about his role in a five-year-old wiretap incident in which 1) the secretary readily concedes his participation and 2) no apologies whatever are called for.

Through it all, there is the strong implication that the taps placed on the phones of 13 White House officials and four newsmen in 1969 were either illegal or, if not that, then somehow disgraceful. There is the further implication that the people who were placed under surveillance were suspected of political infidelity to the administration, rather than of being security risks.

There is not the slightest shred of evidence that we know of to sustain such allegations The taps were ordered after a series of serious security leaks that occurred in the spring of 1969 which were traced to unknown staff members of the National Security Council. They were applied under procedures that were entirely legal at the time. No one apparently questions the fact that it was Kissinger's duty as assistant for national security to bring the leaks to the attention of President Nixon. No one, so far as we know, denies that the taps were ordered by the President on the advice of John Mitchell, then attorney general, and J. Edgar Hoover, then the head of the Federal Bureau of Investigation. Each of the authorizations was duly signed by the attorney general, as required by the law at that time.

Kissinger has said subsequently that he found the business of bugging his own subordinates "distasteful" and that is perfectly understandable. He has said at various times that the effective functioning of the government—or might add any organization or family—depends on at least a modicum of trust among its members.

But it is also true that any government has not only the right, but the most solemn obligation to protect its essential secrets—particularly those in the area of national security. When violations of security occur on a massive scale—as they did in leaks on military operations in Indochina, in the India-Pakistan war, in the American negotiating position in the SALT talks and in the Pentagon and Anderson Papers—it is not only right but essential that the most effective measures be taken to put a stop to the hemorrhage. In these circumstances, the wiretapping of telephones—distasteful as it may be under normal circumstances, is practiced by every government in the world. It would be completely legal and justified in the United States today under the stricter procedures that have been established since 1909.

So Henry Kissinger, in our view, had nothing whatever to be ashamed of in complaining about the security leaks that led to the wiretaps. The whole issue, in fact, boils down to the question of whether that complaint, in the circumstances, amounted to a "request" or a "demand" or an "initiation" of the wiretaps. And that, again in our view, amounts to one of the more inane quibbles that has ever distracted an already overwrought nation.

What possible difference does it make, after all? What if somebody comes up with a fragment of presidential tape with Nixon's voice saying that "Henry . . . wanted it"? What if a memorandum is unearthed in the files of the FBI saying that the security check was Kissinger's idea?

Since it is quite clear that Kissinger knew that the people whose names he supplied to the FBI would be investigated and in all probability wiretapped, it would have been perfectly reasonable to Mr. Nixon, Hoover or anyone else to assume that the names were the equivalent of a request from Kissinger. The secretary himself has made no secret of the part he played in the process, only insisting that the *original decision* to tap the phones was made by others. Indeed, it is abundantly obvious that only the President had the authority to make such a decision.

It is a measure of Mr. Nixon's difficulties that he has not stepped forward and assumed responsibilty for the ordered surveillance. And it is symptomatic of the madness that Watergate has inflicted on all of us that this utterly inconsequential affair should threaten to terminate the career of one of the most effective and gifted public servants that this century has produced.

CONSIDERATION OF CERTAIN MEASURES ON THE CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar Nos. 896, 899, 900, and 901.

The ACTING PRESIDENT pro tempore. The clerk will state the first measure.

AMENDMENT OF THE COMPREHENSIVE DRUG ABUSE PREVENTION AND CONTROL ACT

The Senate proceeded to consider the bill (S. 3355) to amend the Comprehensive Drug Abuse Prevention and Control Act of 1970 to provide appropriations to the Drug Enforcement Administration on a continuing basis, which had been reported from the Committee on the Judiciary with an amendment to strike out all after the enacting clause and insert:

That section 709 of the Controlled Substances Act of 1970 (Public Law 91-513; 84 Stat. 1284; 21 U.S.C. 904) is amended by inserting immediately before the period at the end thereof the following: ", $125,000,000 for the fiscal year ending June 30, 1975, $150,000,000 for the fiscal year ending June 30, 1976, $175,000,000 for the fiscal year ending June 30, 1977, $200,000,000 for the fiscal year ending June 30, 1978, and $225,000,000 for the fiscal year ending June 30, 1979".

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

PRINTING OF REVISED EDITION OF HOUSE DOCUMENT "OUR FLAG"

The concurrent resolution (H. Con. Res. 454) to authorize the printing as a House document "Our Flag," and to provide for additional copies, was considered and agreed to, as follows:

Resolved by the House of Representatives (the Senate concurring), That there be printed as a House document with illustrations, a revised edition of the House document "Our Flag"; and that two hundred seventy-two thousand and five hundred additional copies be printed, of which two hundred twenty-one thousand shall be for the use of the House of Representatives, and fifty-one thousand five hundred shall be for the use of the Senate.

PRINTING HOUSE DOCUMENT OF "OUR AMERICAN GOVERNMENT, WHAT IS IT? HOW DOES IT WORK?"

The concurrent resolution (H. Con. Res. 455) to provide for the printing as a House document "Our American Government. What Is It? How Does It Work?" was considered and agreed to, as follows:

Resolved by the House of Representatives (the Senate concurring), That there shall be printed as a House document, a revised edition of the House document "Our American Government. What Is It? How Does It Work?"; and that five hundred and sixty-five thousand additional copies be printed, of which four hundred and forty-two thousand shall be for the use of the House of Representatives and one hundred and three thousand shall be for the use of the Senate, and twenty thousand shall be for the use of the Joint Committee on Printing.

ORDER TO REPRINT AS HOUSE DOCUMENT OF BROCHURE "HOW OUR LAWS ARE MADE"

The concurrent resolution (H. Con. Res. 201) to reprint the brochure entitled "How Our Laws Are Made" which had been reported from the Committee on Rules and Administration with an amendment on page 2, after line 2, insert a new section, as follows:

SEC. 2. There shall be printed for the use of the Senate fifty-one thousand five hundred additional copies of the document specified in section 1 of this concurrent resolution.

The amendment was agreed to.

The concurrent resolution, as amended, was agreed to, as follows:

Resolved by the House of Representatives (the Senate concurring), That the brochure entitled "How Our Laws Are Made", as set out in House Document Numbered 92-323 of the Ninety-second Congress, be printed as a House document, with a suitable paperback cover of a style, design, and color, to be selected by the chairman of the Committee on the Judiciary of the House of Representatives, and with a foreword by the Honorable Peter W. Rodino, Junior; and that there be printed two hundred and forty-one thousand additional copies, of which twenty thousand shall be for the use of the Committee on the Judiciary and the balance prorated to the Members of the House of Representatives.

SEC. 2. There shall be printed for the use of the Senate fifty-one thousand five hundred additional copies of the document specified in section 1 of this concurrent resolution.

EXECUTIVE SESSION

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

The ACTING PRESIDENT pro tempore. Without objection, the Senate will go into executive session to consider the nominations on the Executive Calendar, and the clerk will state the first nomination.

FEDERAL ENERGY ADMINISTRATION

The second assistant legislative clerk read the nomination of John C. Sawhill, of Maryland, to be Administrator of the Federal Energy Administration.

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

Later in the day the following proceedings were held on this nomination:

Mr. ROBERT C. BYRD. Mr. President, a Senator had notified me last week—I do not recall the day—that he wished to be notified when the nomination of Mr. John C. Sawhill, to be Administrator of the Federal Energy Administration, would be called up for consideration.

Mr. Sawhill's name was called up this morning when I was not in the Chamber.

I therefore ask unanimous consent that the previous action taken by the Senate in confirming the nomination of Mr. Sawhill be vitiated, and that the name go on the calendar.

I say this with the intent to visit with the Senator who wished to be notified, and to state to him that it will be the intent of the leadership to take up the nomination at a very early moment, hopefully by tomorrow, and that the Senator can, of course be present and can make whatever statement he wishes. The leadership feels that this is a very important position, and that it ought to be filled.

If there are no overriding considerations which indicate that the confirmation should not go forward, then the Senate ought to act expeditiously. I am sorry that I was not in the Chamber at the time the nomination came up earlier today. I have checked with the desk. The name has not yet gone down to the White House.

If there is no objection, the name will go back on the calendar. I give assurance to the distinguished assistant Republican leader that I will immediately contact the Senator to whom I alluded and do everything I can to expedite action on the nomination, if no objection is made.

Mr. GRIFFIN. Mr. President, reserving the right to object, and I shall not object, I recognize the situation. These things do happen from time to time. I recognize the cooperation that we have received from the majority leadership on occasion when the request of a Senator has been overlooked inadvertently.

I appreciate the assurance of the distinguished majority whip that this important nomination will be brought up expeditiously.

It is understandable that there may be some opposition to the nomination. The Senator, certainly, whoever it is, is within his rights in seeking to be notified. Certainly, under those circumstances, nominations should not be confirmed on a unanimous-consent basis. That Senator should have an opportunity to express his opposition or reservation, whatever the case may be, and have the opportunity, if he wishes, to register his opposition and have a rollcall vote, if that is what he chooses.

Certainly, the nomination should not stay on the calendar very long, particularly under these circumstances. I appreciate that at the earliest moment, I hope early this week, the nomination will be called up, and the Senate will have the opportunity to work its will.

I withdraw my reservation.

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

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished assistant Republican leader for his understanding, courtesy and cooperation, all of which are usual. I must say that I am deeply appreciative. Had I been in the Chamber, I would have called it to the attention of the distinguished majority leader. I had inadvertently overlooked telling the leader about the Senator's request. It was an oversight on my part. I appreciate the understanding of all Senators.

DEPARTMENT OF THE TREASURY

The assistant legislative clerk proceeded to read sundry nominations in the Department of the Treasury.

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

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

U.S. TAX COURT

The second assistant legislative clerk read the nomination of Richard C. Wilbur, of Maryland, to be a judge of the U.S. Tax Court.

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

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

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

LEGISLATIVE SESSION

Mr. MANSFIELD. I ask unanimous consent that the Senate return to the consideration of legislative business.

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

THE CRISIS IN THE LIVESTOCK, POULTRY, AND EGG INDUSTRIES

Mr. MANSFIELD. Mr. President, on Thursday last a bipartisan group of Senators gathered in an emergency meeting to discuss the crises the entire livestock, poultry, and egg industries are now facing.

Fed cattle prices have declined by 25 percent in the last 6 months, feeder cattle by almost the same amount, hogs have declined by 43 percent, turkeys are selling for 24 percent less this May than a year ago, broilers about 13 percent less, and eggs are 37 percent lower than in January of this year.

We are seeing evidence that cattle feeders are currently losing from $100 to $200 per head of cattle and hog producers $30 per hog.

If these conditions are allowed to continue, the entire livestock farming complex faces imminent and total collapse. Farmers face bankruptcy that would mean the loss of a lifetime's work, as well as a precipitous drop in livestock production. This not only endangers individual farmers but also the economy, agriculture in general, rural communities, small banks, and the American people as a whole.

Mr. President, as a result of that meeting on June 13, 44 Senators sent a letter to the President of the United States.

What those Senators recommended unanimously, and what we called upon the President to do, was as follows:

(1) Exercise the authority you now have under the existing meat import law (Public Law 88-482) to prevent the dumping of surplus world supplies of meat on American markets. In this connection, we note that Japan, Canada, and the European Economic Community have imposed restrictions on the importation of meat into those areas in order to protect their industries.

(2) Immediately initiate substantial government purchases of red meat and poultry to upgrade the diets of our Nation's school children and to use in our commodity distribution program. The Department of Defense should also be directed to make additional purchases for use by the Armed Services. This is imperative since the cold storage stocks of red meat in the United States are currently over one billion pounds. To maintain such excesses not only injures the market, but is not humane, given the needs of our children, aged, and poor people.

(3) Exhort the wholesale and retail community to pass on now to the consumers of this Nation the meat bargains all of this country should enjoy. If voluntary action is not taken by the industry, the Federal Trade Commission should be directed to begin a complete and thorough investigation, with the results made public immediately.

Mr. President, we propose these actions in the best interest of all of the people of this Nation. The food chain—from farm to consumer—must not be broken or weakened. And the total is no stronger than the weakest link. Today the livestock industry is that link. It must receive immediate attention.

Mr. President, I ask unanimous consent that the entire letter addressed to the President of the United States to which I have previously referred, together with the signatures thereon, be printed in the RECORD at this point.

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

U.S. SENATE,
OFFICE OF THE MAJORITY LEADER,
Washington, D.C., June 13, 1974.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: This morning, a bipartisan group of Senators gathered in an emergency meeting to discuss the crises the entire livestock, poultry, and egg industries are now facing.

Fed cattle prices have declined by 25 percent in the last six months, feeder cattle by almost the same amount, hogs have declined by 43 percent, turkeys are selling for 24 percent less this May than a year ago, broilers about 13 percent less, and eggs are 37 percent lower than in January of this year.

We are seeing evidence that cattle feeders are currently losing from $100 to $200 per head of cattle and hog producers $30 per hog.

If these conditions are allowed to continue, the entire livestock farming complex faces imminent and total collapse. Farmers face bankruptcy that would mean the loss of a lifetime's work, as well as a precipitous drop in livestock production. This not only endangers individual farmers but also the economy, agriculture in general, rural communities, small banks, and the American people as a whole.

Agriculture is integrated, and failure of any sector is reflected throughout the entire agri-business community. The strength of our Nation is tied to the availability of plentiful food and a healthy agricultural sector. Rural communities would collapse if agriculture is lost, and consumers would find less food of lower quality and higher cost if this situation persists.

We are firmly convinced that if the consumers of this Nation understood the complexities and the implications of the problems now facing the livestock industry, they would fully support the remedial action now so necessary to prevent this total collapse.

Meat and other high protein foods are an integral part of the diets of the consumers of this Nation. They need it, farmers want to supply it, so it is imperative that we move to assure that they have it in abundance at fair and reasonable prices.

We know you are well aware of this grave situation. We commend you for your timely

and forceful action in calling a high level meeting on this subject at the White House for Monday.

The inclusion of representatives from government agencies, meat packing firms, food chains, farm credit institutions, cattlemen, and hog producers is especially laudable. We applaud this effort and sincerely hope that out of this will come a program whereby the entire industry and consumers will benefit.

It was the consensus at this morning's meeting that a number of steps might be immediately taken which could materially strengthen the market.

We, therefore, call upon you to:

(1) Exercise the authority you now have under the existing meat import law (Public Law 88-482) to prevent the dumping of surplus world supplies of meat on American markets. In this connection, we note that Japan, Canada, and the European Economic Community have imposed restrictions on the importation of meat into those areas in order to protect their industries.

(2) Immediately initiate substantial government purchases of red meat and poultry to upgrade the diets of our Nation's school children and to use in our commodity distribution program. The Department of Defense should also be directed to make additional purchases for use by the Armed Services. This is imperative since the cold storage stocks of red meat in the United States are currently over one billion pounds. To maintain such excesses not only injures the market, but is not humane, given the needs of our children, aged, and poor people.

(3) Exhort the wholesale and retail community to pass on now to the consumers of this Nation the meat bargains all of this country should enjoy. If voluntary action is not taken by the industry, the Federal Trade Commission should be directed to begin a complete and thorough investigation, with the results made public immediately.

Congress pledges and commits itself to move immediately to provide credit relief to the livestock producers of this Nation. On Monday, June 17, the Senate Committee on Agriculture and Forestry will hold hearings on the emergency credit bills before it. The House Committee on Agriculture will follow with additional hearings.

Bills will be before the Congress for consideration within a week or two. We urge your strong support.

Mr. President, we propose these actions in the best interest of all of the people of this Nation. The food chain—from farm to consumer—must not be broken or weakened. And the total is no stronger than the weakest link. Today the livestock industry is that link. It must receive immediate attention.

Sincerely,

Henry M. Jackson, Warren Magnuson, Dewey Bartlett, James Abourezk, James B. Allen, Lawton Chiles, Harold E. Hughes, Quentin Burdick.

Mike Mansfield, Vance Hartke, Carl T. Curtis, Ernest F. Hollings, George McGovern, Joseph M. Montoya, Frank E. Moss, Floyd K. Haskell.

Alan Bible, Hubert H. Humphrey, Howard W. Cannon, Floyd Bentsen, Dick Clark, Jim Eastland, John L. McClellan, J. W. Fulbright, Sam Nunn, Pete V. Domenici, Henry Bellmon.

Frank Church, Gale W. McGee, Lee Metcalf, Herman E. Talmadge, Milton R. Young, Stuart Symington, Thomas F. Eagleton, Peter H. Dominick.

John Tower, Barry Goldwater, James B. Pearson, Edward J. Gurney, Clifford P. Hansen, Robert Dole, James A. McClure, Paul J. Fannin, Roman Hruska.

Mr. HUGH SCOTT. Mr. President, I ask unanimous consent to have printed in the RECORD at this point a statement on the same subject by the Secretary of Agriculture, Mr. Butz.

There being no objection, the statement, as reported in an article published in the New York Times of June 17, 1974, was ordered to be printed in the RECORD, as follows:

BUTZ DOUBTS CURTAILED CATTLE-FEEDING OPERATIONS WILL CAUSE BEEF SHORTAGE

(By William Robbins)

WASHINGTON, June 16.—Earl L. Butz, Secretary of Agriculture, sees no danger that curtailed operations by a troubled cattle industry will cause any shortage of beef for consumers.

Commenting on a new report showing that cattle feeders were fattening fewer steers for market, the Secretary said:

"The cattle are out there [on farms and ranches] and they've got to come to market. We'll have less grain-fattened beef because the gains are being put on from the grass, but grass-fed beef is good beef, although it's not what we've grown used to. But there will be plenty of tonnage in the fall."

The Secretary made his remarks in an interview before a White House meeting scheduled for tomorrow on the plight of cattlemen. With prices continuing in a long decline, those who fatten cattle for market say they are losing up to $150 on each animal sold for slaughter. Industrywide, they say they have lost $1.5-billion since the decline began in early February.

Because current prices are below the cost of fattening cattle with expensive grain, feedlot operators in seven states that lead in such operations placed 40 per cent fewer cattle in their pens last month than they did in May, 1973, the Agriculture Department reported.

The White House meeting tomorrow will focus on their problems. Representatives of cattlemen, meat packers and chain stores have been invited.

Dr. Butz said that the chain stores would be urged to make a greater effort to reflect lower cattle prices with reductions at beef counters. He noted that the spread between farm prices and retail beef prices was 16 per cent wider in April than a year earlier.

Although figures for May have not yet been released, another department official said that they would show the spread had again widened slightly.

In another step that is likely to aid cattlemen, Dr. Butz said that the department would be buying more beef for school lunches. The relief that could be offered through that means would be limited, he indicated, by the need to continue buying pork and poultry. Those industries are also troubled by price declines.

Cattlemen and their representatives in Congress are urging that the Administration also impose quotas on beef imports and they are seeking legislation for Government guarantees of loans to help feedlot operators and others through their current difficulties.

On those measures, Secretary Butz held out less encouragement. An imposition of quotas, he feared, might hamper the Administration in its efforts to negotiate freer trade and to reduce foreign barriers to American farm exports.

As for emergency loans, he said, "We'll have to look hard at this."

He said he was afraid that a cattle-loan program would set an unwanted precedent and lead others in farm production to turn to the Government for credit assistance whenever they encountered setbacks in their markets.

In wide-ranging remarks during the interview, Dr. Butz made the following points:

He continues to oppose internationally controlled grain reserves as well as Government storage of national reserves.

The Government, nevertheless, will not withdraw from humanitarian policies but will seek international cooperation on aid for proper nations.

The world outlook for food supplies will depend on the extent to which population growth can be controlled.

Dr. Butz explained his opposition to international control of grain reserves, saying that the have-not nations might find themselves in a position to outvote producing and exporting nations and thus force release of supplies from the reserves prematurely.

"The best safeguard we have is full production," he said, adding that the existence of this type of reserve might tend to discourage output and "you can't insulate such supplies from the market."

Turning to the question of aid for poorer nations, he said, "We must never convey the idea that we will withdraw from humanitarian commitments."

He noted that the United States planned to spend $1-billion for such purposes next year and indicated that the Government would have to enter grain markets to obtain supplies for cash rather than using surpluses as in the past.

As for the distant future, Dr. Butz observed: "Malthus was right." (Thomas Robert Malthus, an 18th-century British political economist, held that without "famine or war the world's population would eventually exceed the means for its sustenance.")

"It is hard to see a light at the end of the tunnel," Dr. Butz said, unless population growth can be controlled.

The PRESIDING OFFICER (Mr. HRUSKA). Under the previous order, the Senator from Alabama (Mr. ALLEN) is recognized for not to exceed 10 minutes.

Mr. ALLEN. Mr. President, I commend the distinguished majority leader on his comments regarding the critical economic plight of our Nation's livestock industry. American livestock producers and, in fact, American agriculture have no greater friend than MIKE MANSFIELD. The Senator from Montana is a most eloquent spokesman and fighter in the battle to enable the farmers of our Nation to obtain their fair share of the national income and to enjoy the fruits of American prosperity.

I was very much pleased to attend the meeting, sponsored and called by the distinguished Senator from Montana, of Senators from both sides of the aisle, to consider ways and means to approach the problem. I was pleased to join in the letter signed by many Senators to the President asking that he reimpose import quotas on beef and other meats being imported into the United States.

Later on today, along with many other Senators, led by the distinguished Senator from Kansas (Mr. PEARSON), I expect to join in a resolution expressing the sense of the Senate to take this action.

I share the concern expressed by Senators on both sides of the aisle about the severe, even tragic, conditions existing today in our Nation's livestock industry.

Our domestic livestock producers are being drawn into an ever-tightening squeeze of spiraling expenses and dropping income. I have often observed that our farmers and ranchers are the only individuals who must purchase their inputs at retail prices and sell their outputs at wholesale prices. One would think that the depressed price of beef at the producer level would be reflected at the supermarket level, but, as we know, this is not the case. Surely, the price of meat protein could be lowered at the super-

market and there would still be a nice margin of profit. This would not only help to relieve a severe pitch on many family budgets but would increase the consumption of beef as well.

Ironically, it was a little over a year ago that representatives and spokesmen for the U.S. cattle industry predicted the adverse effects of the then announced economic stabilization program to place a ceiling on beef prices. The result of that ill-advised action, later compounded by a trucker's strike, totally disrupted marketing patterns.

If we were allowed to do that at that time, the high/lows then would have accommodated to the economic conditions and we would not have had the situation we have today.

It should not be forgotten that in a free market business like cattle and beef, the price of the product is set by supply and demand. There are price fluctuations from day to day to week to week. However, such fluctuations have been more frequent and sharply wide since April of last year—a factor attributable to the disruptive effects of the economic stabilization program.

A year ago, cattle feeders were making a profit. Today, they are sustaining the largest losses recorded in the history of the U.S. cattle industry. Many have been or are on the verge of being forced out of business or cut-back sharply on their operations. With feed costs at record high levels, fencing materials such as baling wire at prices almost beyond reach and with fuel and fertilizer costs mounting, we find that breakeven prices on slaughter cattle are $10 or more per hundredweight higher than cattle prices.

Mr. President, I am advised and have every reason to conclude that the following figures are accurate. Since September of last year, cattle feeders in this Nation have sustained losses amounting to more than $1.5 billion. Most have lost much, if not all, of the equity invested in cattle during that period. The industry is still losing some $105 per head on cattle currently being marketed.

The losses in the feedlot industry have reduced the demand for feeder cattle by ranchers with the result that feeder cattle prices, also, are down sharply from their 1973 highs.

Because of feeder cattle prices being sharply lower, many cow-calf operations—and we have thousands of these in Alabama—might be expected to wind up 1974 deeply in the red. This threatens the very future of the basic cow herd. If feeder cattle prices continue to decline, there may well be wholesale liquidations of basic herds.

Many producers who have the alternative of converting pasture acres to crops, a viable alternative to return more dollars, have already switched away from the production of feeder cattle. All of these actions—solely because of losing money—portends shortages of beef for consumers in the years ahead.

Given these current economic conditions, it is obvious that the survival and stability of both segments of the beef cattle industry—the cow-calf producer and the cattle feeder—rests with affirmative actions which will provide relief to our domestic livestock industry.

Within this very hour the Senate Committee on Agriculture and Forestry, on which I serve, will open hearings on a variety of bills to provide emergency financial assistance to the cattle industry. A meaningful financial program should be adopted which will provide a source of guaranteed capital to the livestock industry over a period of time which will enable this vital sector of our agricultural community to stabilize itself. In turn, such action cannot help but preserve a source of high animal protein for the consuming public at decent prices.

Later today there will be a meeting at the White House for the purpose of discussing the difficulties which confront the U.S. beef cattle industry and to consider methods of relief.

For my part, Mr. President, I feel it is imperative that the President of the United States take immediate action to reinstate beef import restraint levels as are provided within the provisions of the Meat Import Act of 1964. I am advised that foreign beef imports this year represent approximately 7 percent of the total quality of beef produced in the United States. Clearly, a reimposition of beef import quotas could mean the difference between a profit or a loss to thousands upon thousands of U.S. beef cattle producers.

I should like to point out, however, that this situation is not in any way peculiar to the U.S. beef cattle industry. Similar frightening economic circumstances exist among other livestock commodities—poultry and eggs, turkeys, and pork. The price crisis existing in the red meat industry is merely symbolic of the vicious cost-price squeeze in which almost every segment of our domestic livestock and protein industries find themselves.

Mr. President, my home State of Alabama has the largest cattleman's association in the United States, over 19,000 strong. Poultry and beef are the No. 1 and No. 2 cash commodities among Alabama farmers and ranchers. I certainly do not intend to stand idly by and see the hard work of these dedicated men and women of the soil go down the drain.

The beef price problem today is far larger than just a farm and ranch problem. The situation is so serious that it is also a social problem, involving the dietary requirements of all our citizens, and it is a national economic problem, involving the economic strength and well-oeing of our Nation and every one of us.

It is also possible it will destroy the entire beef industry causing scarcity of beef in the years ahead which will be highly damaging to all the people of the United States because ranchers with their cattle feeder operations are going out of business by the hundreds throughout the country and that can only mean less and less production for the future.

We need to consume more protein products, more beef, and if this trend continues, we will wash out this entire industry which is so important to all the people of the United States.

The farmers and ranchers of our country have never failed us and now the country must not fail them.

ORDER OF BUSINESS

Mr. GRIFFIN. Mr. President, I ask unanimous consent that following the remarks of the distinguished Senator from Nebraska (Mr. HRUSKA), the time formerly reserved for the Senator from New Mexico (Mr. DOMENICI) be made available to the Senator from North Dakota (Mr. YOUNG).

The PRESIDING OFFICER (Mr. CLARK). Without objection, it is so ordered.

Under the previous order the distinguished Senator from Nebraska (Mr. HRUSKA) is now recognized for not to exceed 10 minutes.

CATTLE PRICES

Mr. HRUSKA. Mr. President, market prices for cattle have reached almost intolerable levels. The price of cattle on the hoof in my home city of Omaha has dropped more than 25 percent since January. In that month, the price of a choice steer averaged $47.68 per hundredweight. According to the latest figures for the month of June, the price of a choice steer on the same market has declined to about $35 per hundredweight. The cattle industry in my State and those in other States cannot afford to bear the burden of this drastic price drop much longer. There must be some action by the Congress to relieve this pressure or a significant segment of the Nation's economy could face ruin.

Those not familiar with the cattle industry may find it difficult to believe the severity of the situation. But for the rancher and the cattle feeder, this depressed market is causing them great concern for their livelihood and the future of their industry.

I have received much correspondence from these people who are directly affected by the low prices. They tell me they are in deep trouble. This is what one cattle feeder from Shelby, Nebr., wrote:

> I have been a cattle feeder for the past 25 years and have seen ups and downs in the industry. Over the years I have averaged $10 per head profit on cattle fed. I have always stayed in the business and recovered my losses. In the past nine months it has been a different story. I have lost everything that I have made in the past 25 years. When losses consistently run from $134 to $150 per head it doesn't take long to have one's life savings totally wiped out. How long would the Ford Motor Company or General Motors manufacture cars and take a loss from $150 to $250 per car? This is what has been happening for each steer fattened and sold in the cattle feeding industry.

It seems incredible that a man's life savings can be wiped out in such a short period of time. Yet, with the way the situation exists today, that is what is happening.

A rancher from Antioch, Nebr. writes:

> We purchased calves last fall at $72 a hundred (weight) and these calves will be ready to sell this fall. If prices remain the same, we will lose $100,000. This will put us out of the ranch business.

These are only two of the many examples that could be cited to demonstrate the crisis situation facing the cattle industry. There are many more stories just like these in Nebraska and in the other cattle-producing States.

What situations have brought on this

threat of extinction for some persons in the cattle business? They surely did not bring this trouble on themselves. They have been the victims in large measure of economic discrimination and neglect on the part of our Federal Government. The start of this crisis can be traced back to the ill-timed and totally unproductive price ceiling placed on beef more than a year ago. The economic stabilization program in effect at that time was devastating to the industry because it interfered with the free market system. Ceilings were imposed on red meat prices at the end of March 1973 to artifically reduce consumer prices. This, of course, had the effect of limiting the flow of cattle to market.

But the crushing blow to the cattle industry came in July 1973, when price freezes were removed on all red meat except beef. The ceiling prices on beef were not lifted until September, and by that time the market had become distorted and a large supply of beef was on hand ready to flood the marketplace. The industry has never recovered from this unwarranted and heavy-handed tampering. These phase IV economic sanctions interrupted the supply and demand factor of free enterprise and upset the system. The resulting glut of beef has continued to dominate the market and drive prices downward.

To further aggravate the situation, a trucker's strike occurred in February of this year again interrupting the normal flow of beef from the rancher to the feeder and from the feeder to the packing house and from there to the store shelves. During the strike, the beef supply was cut short both in terms of slaughter and retail meat. Thus, there was a tremendous demand for dressed beef, while cattle on the hoof prices failed to respond. Packers purchased only a minimum portion of beef from feeders because they had no way to haul it. The market for animals on the hoof was again stymied and prices continued to plunge.

Another important factor in the overall decline of beef prices at the farm level has been the increasing amount of imports. A big reason for the recent surge of meat coming in from other countries is that people of the world have slowed down the steadily increasing consumption rate that has been a trend in recent years. Initially, persons were reacting to record-high meat prices, but now, inflation in most of the meat-eating countries of the world has caused their citizens to cut back on expenses of all kinds.

At the same time, meat production in the world is on the upsurge. According to the Department of Agriculture's Foreign Agricultural Service, meat production in the United States, Canada, Japan, and the Common Market Countries is expected to be up 4 percent his year over last.

All of these countries—including our own—are looking for markets for this rapidly escalating supply of beef. The other countries mentioned have all placed complete or nearly complete embargoes on cattle and beef imports.

The United States, on the other hand, has had no import restraints since the President lifted quotas in 1972. Because of this, exporting nations are beginning to flood the United States with beef, thus adding to an already overabundant supply of meat being produced domestically.

According to the president of the American National Cattlemen's Association, U.S. beef tonnage to date is 6 percent ahead of the same period in 1973 and is slightly ahead of the corresponding period in 1972, which was a record year. For the rest of 1974, according to the ANCA, production will exceed last year by 2 to 3 percent.

Combine those domestic figures on the availability of beef with the following statement by the president of the Cattlemen's Association, Gordon Van Vleck, and it adds up to real trouble:

> To date this year, four percent more beef has arrived in our country, compared to a year ago, and an estimated 100 million pounds are in bonded cold storage awaiting payment of duties so that it can enter into U.S. trade channels. Additionally, the Secretary of Agriculture already has estimated that 1974 imports of the type covered by the Meat Import Act will amount to 1,575 million pounds—221 million pounds over the levels in 1973, a record year.

Those are startling words and the result can only be a further dampening of the cattle market and further decline in prices for the cattle industry. What can be done in keeping imports out? The President can impose the quotas that he originally suspended in 1972. Under the provisions of the 1964 Meat Import Act, which I sponsored, he has the power to limit the flow of foreign beef into this country when a trigger point in import tonnage is reached. He should do so at once. I have written to the President urging him to take such action.

Mr. President, I ask unanimous consent that my letter to the President dated May 31, 1974, be printed in the RECORD at this point.

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

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, D.C., May 31, 1974.

Hon. RICHARD M. NIXON,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: The cattle industry is currently facing a crisis situation.

Prices to cattle feeders have fallen 25 percent since last August.

These dramatic price declines have already produced more losses for cattle feeders in the last six months than they earned in the previous three years forcing them to liquidate their remaining equity. Cattle ranchers will face this same situation by late summer.

Much of this problem can be traced to foreign imports of beef which are projected to increase at least 15 percent over last year.

As the Secretary of Agriculture has pointed out, the United States is in danger of becoming a dumping ground for overseas beef because most other major beef consuming nations in the free world have set up embargoes on beef imports.

Although imports currently account for about 10 percent of beef produced in this country, the figure could rise dramatically if action is not taken immediately.

Depressed prices for cattle feeders and ranchers could have other serious effects on the economy of Midwestern states.

Continuing losses for cattle producers and feeders will mean they could be incapable of purchasing needed feed grains. This could further hurt the late summer grain market that already is projected to be one of generally low prices due to record harvests.

In addition, if both feeders and ranchers continue to lose money, some of the small banks which have extended them credit may go bankrupt.

These are serious consequences, and some action is needed as soon as possible. Therefore, I ask that Executive Proclamation No. 4272, February 26, 1974 be rescinded pursuant to authority provided for under Section 2(d)(1), Public Law 88–482, August 22, 1964, 78 Stat. 594, which states:

(d) The President may suspend any proclamation made under subsection (c), or increase the total quantity proclaimed under such subsection, if he determines and proclaims that—

(1) such action is required by overriding economic or national security interests of the United States, *giving special weight to the importance to the nation of the economic well-being of the domestic livestock industry;* (emphasis added).

I believe this action is warranted since the threshold levels of Section 2(c)(1), Public Law 88–842 have exceeded the statutory limit and may well increase in the coming months. You have the power to help this important segment of our economy. I urge you to use it.

With kind regards,

Sincerely,

ROMAN L. HRUSKA,
U.S. Senator.

Mr. HRUSKA. Mr. President, earlier today, I joined as a consponsor of a resolution expressing the sense of the Senate that the President should reimpose quotas on meat imports. In due time, and I trust later today, action will be taken by the Senate approving that resolution.

The President can, and must, take the necessary action to help save many cattle feeders and ranchers from bankruptcy. This is a situation that has been out of the hands of the cattle industry. Economic controls by Government, strikes by truckers, and huge imports from foreign countries have combined to put the crunch on this industry.

Another important factor in the decline of meat prices has been the reluctance of the consumer to purchase beef at the supermarket because of ever-increasing prices which in no way reflect the prices paid for cattle on the farm. In many cases, retailers have taken advantage of consumer reactions to high meat prices to encourage the purchase of nonmeat protein substitutes.

It is most distressing that a news article in the Wall Street Journal of April 8, 1974, pointed out that per capita beef eating in this country has slumped from 116 pounds in 1972 to 109 pounds last year. We must get the consumer to again realize the bargain of beef and resume normal purchasing patterns. This cannot be accomplished unless prices on the retail level begin corresponding to prices for cattle at the farm level. The rancher's and feeder's prices continue to fall but this is not reflected in prices at the supermarket counter. Why is there such a great difference?

I think the situation is most graphically illustrated by pointing out that, according to the USDA's Economic Research Service, the price of choice steers in Omaha in 1967 was $25.27 per hundredweight, while in the supermarket, the price of hamburger was 60 cents per pound. Compare that to summer 1973 figures when prices at the farm level were reaching their highest points. Choice steers were selling at $53.61 per hun-

dredweight, while the price of hamburger had risen to 90 cents per pound. However, by February of this year, the price of steers on the Omaha market had fallen to $44.25. Had the price of hamburger fallen accordingly? No, it did not. The price of hamburger had actually risen to $1.19 per pound. The farmer certainly cannot be blamed for that high price. His price at the market had fallen by almost $10 per hundredweight, while the price per pound of hamburger had risen 29 cents. The situation now continues somewhat the same. While the prices in the supermarket have leveled off somewhat, the farm price for animals has continued to plummet.

The rancher and cattle feeder are not immune to rising costs that have plagued all consumers in this country. The rancher and feeder are consumers. They are feeling inflation, too. Their costs are skyrocketing, but they are being forced to sell their products at continually declining prices. Because of high costs and sharply lower cattle prices, cattle feeders alone have lost $1.25 billion since last September, according to the American National Cattlemen's Association. That is an almost unbelievable figure and it cannot continue to mount. These losses will harm a great segment of the Nation's economy.

Beef production is not limited to just a handful of States. More than 30 States in this Nation have a million or more head of cattle within their borders. In many parts of the country entire communities and even regions depend almost totally on the livestock industry for their economic well-being.

The beef cattle industry occupies a unique position in this country. In dollar terms, it is by far the largest farm industry. In several States, beef cattle production accounts for as much as 60 percent of farm sales. In eight States it accounts for more than 50 percent of farm sales. In 34 out of 50 States it accounts for at least 10 percent. This is a significant industry and its decline is having a significant impact on the Nation.

Congress must take some action, and quickly, to help save the cattle industry. Some progress is being made to help alleviate the situation. Today, the counselor to the president for Economic Policy, Mr. Kenneth Rush, has called a meeting—at the direction of the President—to discuss the red meat supply and price situation. According to Mr. Rush:

> The need is to move the large supply of meat from the ranch to the consumer at prices reasonable both to consumers and producers.

This is an honorable goal and one that must be achieved if the industry is to survive.

Another encouraging sign is that talks have been initiated with Canada, Japan, and Common Market representatives about restrictions these nations have placed on meat imports. The Department of Agriculture has also been conferring with Australia to determine the potential supplies of 1974 meat exports from that nation, which is the principal shipper of fresh and frozen meat into this country. Agriculture Secretary Butz will report on all of these discussions and it is hoped that those in attendance—representatives of several government agencies, meat packing firms, food chains, farm credit institutions, cattlemen, and hog producers—will benefit. All of these elements must work together so that the rancher and feeder can again receive a fair price for his product.

All of these initiatives will help the cattlemen if they are carried through. But one of the most imminent needs of the industry is working capital so that it can see itself through this crisis period. It is for that reason that the Agriculture Committee is holding hearings on a bill sponsored by my colleague the gentleman from Nebraska (Senator CURTIS) to help remedy the financial straits that the cattle industry has found itself in. Those hearings are scheduled for this afternoon. The bill would provide guaranteed loans to those legitimately and primarily engaged in farming, ranching, and livestock breeding. The loans would be administered by the Farmers Home Administration which will underwrite 90 percent of the loan only when the farmer's or rancher's usual source of credit has turned him down.

Legislation of this type is necessary. That is why I have cosponsored the bill, S. 3597, together with Senators BARTLETT of Oklahoma, BELLMON of Oklahoma, DOMENICI of New Mexico, EASTLAND of Mississippi, HANSEN of Wyoming, and TOWER of Texas.

I ask unanimous consent to have printed in the RECORD at this point a copy of my testimony to be given later today before the Senate Agriculture Committee.

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

STATEMENT OF SENATOR ROMAN L. HRUSKA BEFORE THE SUBCOMMITTEE ON AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION OF THE COMMITTEE ON AGRICULTURE AND FORESTRY, JUNE 17, 1974, ON S. 3597 AND RELATED BILLS

Mr. Chairman, my colleague from Nebraska, Senator Curtis, regrets that he is unable to attend the hearing today. I understand that the Senator has communicated this to the Chairman by letter. Senator Curtis has asked, however, that I read to the Committee the following letter:

DEAR ROMAN: I regret that a long-standing engagement in the State will prevent me from attending the hearing of the Subcommittee on Agricultural Credit and Rural Electrification on our bill, S. 3597, and others to provide for guaranteed loans to livestock producers.

Please convey to Senator McGovern my appreciation for his action in calling this hearing at such an early date. Livestock producers in Nebraska and the Nation have suffered a severe economic setback in recent months and many of them will be forced out of business unless loan guarantees of the type proposed in these bills are made available.

Enclosed are two recent statements I have made with regard to the livestock situation in general and the need for additional credit in particular. I would appreciate it if you could submit these to be included in the record of the hearing on S. 3597, S. 3605, S. 3606, and S. 3624.

With very best wishes, I am
Sincerely,

CARL T. CURTIS,
U.S. Senator.

TESTIMONY

Mr. Chairman, I bring to the Subcommittee today a message of extreme urgency and importance from the nation's livestock industry. The prompt scheduling of these hearings is most appreciated by this Senator, and I am sure by cattle feeders and ranchers throughout the country.

Mr. Chairman, as these witnesses will testify today, the problem facing this industry is real and immediate. This is not just a problem for Nebraska, Kansas, Texas, or South Dakota. It is affecting each and every state where cattle are raised. More than 30 states in this country have a million or more head of cattle within their borders. In many parts of the country entire communities and even regions depend almost totally on the livestock industry for their economic well-being.

I think I can best summarize the problem by reading an excerpt from a letter I recently received from a Nebraska cattle feeder.

"We operate in two small communities in Western Nebraska, but we are the economic base for these communities. We supply the market for range cattle, grain and feedstuffs, and either directly or indirectly provide the payroll for a substantial portion of the community. During the past eight months we and our customers have suffered disastrous losses on our finished cattle to the point that there will very soon be no feeding industry here."

This cattle feeder lost a total of $2,094,000 on 19,676 cattle fed or a loss of $106.43 per head in a period between October 1, 1973, and May 31, 1974. Losses of $100 to $200 a head are being sustained by other ranchers and feeders around the country. It is an economic problem of truly drastic proportions.

The cattle industry occupies a unique position in this country. It is in dollar terms by far the largest segment of the agricultural economy. For 1973, according to the Survey of Current Business by the Department of Commerce, agriculture itself was the largest single industry in the United States with total sales of $86 billion. Motor vehicles and parts were second with $77 billion and chemicals and allied products third with $70 billion. Of total agricultural sales, livestock accounted for more than half with $45 billion. Of livestock, meat animals were two-thirds.

In several of the states beef production accounts for as much as 60 percent of the farm sales. In eight states it accounts for more than 50 percent. In 34 out of the 50 states it accounts for at least 10 percent. In the State of Nebraska alone last year's total cash receipts for cattle and calves was $1.78 billion, which is 48 percent of total farm cash receipts in the State. Over the past few years cattle receipts have been averaging 50 percent of total farm sales.

In Congress we speak often of the farm problem, and of programs being devised to help the farmer. It should be understood that such programs are not for the cattleman. The beef industry does not receive Government subsidies; it has no program to control output. It is true that standing beef cattle on feedlots are down 10 percent from last year, but the total number of cattle and calves on American farms continues to rise. The livestock industry is not making any effort to hold back production. Ranchers and feeders are trying to keep production up in hopes that market prices will rise. But it is not happening, and the cattle industry is suffering, and unusually so as these witnesses will testify.

Mr. Chairman, it must be remembered that there are a number of factors which have brought the livestock industry to this unfortunate position, factors not of their own invention. Feed grains have risen in price and may go higher if harvests decline

this fall. Earlier this year the truckers' strike prevented feeders and ranchers from moving their cattle to market. This created temporary shortages of beef at the supermarket and prices rose. Consumers reacted to the high prices and switched to other foods and non-beef products such as chicken and fish. The per capita consumption of beef in America has dropped from 116 pounds in 1972 to the current level of 109.5. Given a return to a reasonable balance in the supply situation, we are confident per capita consumption will rise because beef is the most popular single item in the American diet.

Late in 1973 the Government outlawed the use of Diethylstilbestrol commonly called DES, which was used in the cattle feeding process. This action increased the cost to cattle feeders by a substantial percentage. Moreover, the Cost of Living Council placed a ceiling on beef during Phase IV and stubbornly kept the ceiling on for months after many had called for its removal. Price ceilings and standby authority disrupted the market and had an adverse effect on both beef producers and consumers.

In addition to these domestic developments, foreign countries were establishing unusually high levies on American beef entering their countries. At the same time, heavy beef producing nations were diverting millions of pounds of beef and beef products into the United States. All of these events were beyond the control of the livestock industry. But now the damage has been done. We must now find a solution and some immediate relief for the industry.

The recent crisis of the cattle feeders and producers recalls a vivid precedent of nearly a decade ago. In 1963 meat imports rose to record levels, coinciding with a sharp decline in cattle prices. This trend continued into 1964 and prompted debate and consideration of what finally became the Meat Import Quota Act of 1964. In its final version, the Act provided for the imposition of meat import quotas when the percentage of meat imports as compared to total U.S. beef production reached in excess of 10 percent.

Mr. Chairman, as you will recall, the issues which surrounded the passage of the 1964 law centered on the impact beef imports would have on the domestic livestock industry. The Act was intended to give the cattle industry a fair chance to compete in the domestic economy. That is all the livestock industry asked for a decade ago and that is all it asks today.

The domestic livestock industry should not be viewed as the fall-guy for higher prices of beef at the supermarket. When the cattleman is unable to compete effectively in the domestic economy, and he is forced to reduce the size of his herds and his production, everyone is hurt. Wheat and feed grains growers will suffer because ranchers and feeders will not be buying as much feed. The taxpayers will see more Federal dollars spent to handle wheat and grain surpluses. The small businessman in the rural communities which depend for their existence on sales to agricultural producers of such items as tires, gasoline, oil, farm implements, lumber, insurance and related items will also suffer from the loss of business. And also the consumer, as I shall explain.

I recognize that many consumers become concerned by increases in the price of meat. We are all consumers. But I would like to remind my colleagues that the cattleman does not sell meat, he sells cattle. Changes in the retail prices of meat are not always reflected in the price received by the producer or feeder when selling his cattle. If that were the case, with beef prices at all time lows, the consumer would be buying meat today in the store at substantially lower prices. But he is not. For example, in the summer of 1973 choice steers per hundredweight in Omaha were selling at $53.61 and hamburger in the store was selling at 90 cents a pound. As of February of this year Omaha choice steers were down to $44.25 per hundredweight and hamburger was selling for $1.19 a pound. Clearly, there are market forces at work which have nothing to do with the price of beef at the livestock market.

Today, there are several bills before this Subcommittee which seek practical and sound financial solutions to this urgent problem. The general thrust of these measures is to authorize the Secretary of Agriculture to guarantee loans to the cattle industry. This is not a handout. It is not charity. It can provide relief to an industry which has historically disavowed direct subsidies and controls.

I have joined my colleague from Nebraska, together with Senators Bartlett, Bellmon, Domenici, Eastland, Hansen and Tower, in the sponsorship of S. 3597. There are similar bills also pending before the committee. Changes may need to be made in certain provisions. What is important is that a good bill be reported favorably to the Senate as soon as possible.

Mr. Chairman, the livestock industry makes a vital contribution to the economic and social well-being of this Nation, and the cattle industry is in great danger of losing, and for some, forever, the ability to make these necessary contributions to our economy. The cattle feeders and producers deserve our support in their hour of need.

The mission of the cattle industry as a part of the economy and society of America is this: the capacity to produce an assured and ample supply of quality meat at reasonable prices. Prices that will not assure a return to the farmer and rancher his cost of production plus a reasonable profit will have a disastrous effect, namely, a reduction in the cattle supply. Like other investors, farmers and ranchers will neither venture nor long remain in a market activity with a built-in loss.

Bear in mind: The cycle of marketing from the time of breeding to the fat steer sale on the market embraces approximately three years. The cycle is a long one. The effects may not be felt soon, but when they are felt, they cannot be corrected except on the basis of this three-year cycle. A lower supply of cattle in due time means a lower supply of meat. This translates into higher meat prices on the retail market.

In short, this means the defeat of the mission of the cattle industry which, as I have indicated, is the capacity to produce an assured and ample supply of quality meat at reasonable prices.

Mr. Chairman, I have received numerous calls in the past few weeks, as a great number of my colleagues have, from cattlemen who come to the verge of tears when they relate the disastrous financial losses they have experienced and will continue to face if this situation is not changed. These are strong, industrious and fiercely independent men who have worked hard for their ranches, farms and station in life. Many face financial ruin. But they can tell their story better than I, and would hope that the Committee will take heed of their accounts and respond accordingly.

Mr. Chairman, I would like now to introduce some of the witnesses who will be testifying later this afternoon. They are:

Mr. John Klosterman, Livestock Feeder, David City, Nebraska.

Mr. Jack Shonsey, Chairman of the Board, DeLay National Bank, Norfolk, Nebraska. Also a cattle feeder.

Mr. Grant Gregory, livestock feeder, Omaha, Nebraska.

Mr. Darrell Green, President, Financial Services Company, Omaha, Nebraska.

Mr. Ken Strother, Vice President, Omaha National Bank, Omaha, Nebraska.

Mr. James Dean, President, American State Bank, Yankton, South Dakota.

I note with pleasure that Don Magdanz, executive vice president of the National Livestock Feeders Association, is also on your witness list. Mr. Magdanz has been one of the most forthright and articulate spokesmen for his industry. I am proud that he, too, is one of my constituents.

Mr. HRUSKA. In conclusion, Mr. President, let me say that the livestock industry is an important element of this Nation's economy. These are people who have no guaranteed Government price supports. They must go it alone. They must rely on the free enterprise system that has made this country great. Through no fault of theirs, this system was tampered with and now they are suffering. We must come to their aid—and quickly.

I ask unanimous consent to have printed in the RECORD two statements by my distinguished colleague from Nebraska.

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

STATEMENT BY SENATOR CARL T. CURTIS
JUNE 6, 1974

Mr. President, for some time I and other Senators representing States where there is considerable livestock feeding, have been concerned about the drastic drop in livestock prices at the farm level. The Committee on Agriculture and Forestry held hearings on the problems of the livestock feeding industry in Iowa during January and at my request, here in Washington on March 13 and 14.

At the Washington hearings we were told that livestock feeders had lost in excess of $1 billion in the period since September 1973. During much of this time cattle feeders were losing, and are currently losing from $100 to $200 per head on each animal sold.

It was my hope that the reduced prices being received by feeders would be passed on to consumers and that the consumption of beef and other meat would increase to a level that would reduce the surplus and once again allow livestock raisers to make a fair profit. Unfortunately, this has not happened, and to make the situation worse, the United States has become the only major meat importing country which has failed to embargo further shipments of foreign meat.

Last week I introduced legislation to reimpose the meat import quota system and to provide that in the future quotas may only be lifted with the concurrence of Congress.

Today I am introducing, with a number of cosponsors, legislation to provide government loan guarantees to help maintain in business livestock breeders and feeders who face bankruptcy. I need not point out, Mr. President, the effect such bankruptcy would have on the American consumer. Very simply, it will mean that fewer livestock are put on feed and consequently less meat will be available in the supermarket, and this means even higher prices for the consumer.

The bill I introduce today would allow Farmers Home Administration to finance or re-finance livestock breeding, raising, fattening, or marketing operations when the applicant's usual credit source is unable or unwilling to provide additional credit without a government guarantee.

The bill authorizes Farmers Home Administration to guarantee 90 percent of loans up to $250,000 for the aforementioned purposes. The loan shall bear interest at a rate not in excess of 6 percent and shall be repayable in not more than seven years, but may be renewed for five additional years.

Mr. President, I believe it only fair that we provide the 6 percent interest rate since this is the rate currently being charged by the

Export-Import Bank on loans to the Soviet Union and other foreign countries.

This bill authorizes up to $3 billion in loan guarantees to be outstanding at one time, and provides that Farmers Home Administration shall pay the difference between interest payments made by borrowers and the interest rate charged by the lender.

Because of the emergency nature of this legislation, and the fact that it is a guaranteed loan program, rather than direct loans by the government, this bill provides that the guarantees made under this provision shall not be included in the budget totals of the United States government.

Mr. President, the livestock producers in this country are a proud breed and have always been reluctant to ask for government assistance, but I believe that it is not only in their interest, but in the best interest of the consumers of this nation that we provide the financing to maintain a healthy domestic livestock industry.

FLOOR STATEMENT BY SENATOR CARL T. CURTIS, JUNE 13, 1974

Mr. CURTIS. Mr. President, I believe that American consumers have a great deal at stake in connection with the crisis in the livestock industry. If producers go out of business or if even they cut down their operations because of the losses being sustained, we're going to be short of meat and what we do have is going to be very high priced.

We are facing a very tough situation. I believe that consumers should be interested in seeing an improvement in beef and pork prices to the producer and I think all segments of the industry—retailers, packers, producers—must get together and cooperate with the government to promote greater consumption of meat and have a better distribution of the proceeds from the sale of meat over the retail counter. I think this is important.

In a meeting with the President last week, Senator Dole and I suggested a White House Conference on Livestock. I am pleased that such a meeting—to bring together all these interested parties—has been scheduled for next Monday.

Also on Monday, the Senate Agriculture Committee will hold a hearing on legislation introduced by myself and other Senators to provide guaranteed loans to allow many producers to stay in business who might otherwise fall by the wayside.

We have also made a request that import quotas be reinstituted. I am hopeful about this. I think it is very important. But all American people have a stake in this matter. We must do something to get the cattle industry back on the track and again become a profitable business.

Like all our citizens, Mr. President, livestock producers are feeling the effects of inflation and high interest rates. However, while the income of most Americans is remaining stable or being adjusted upward with cost of living increases—cattlemen have seen the price of their animals drop by more than 20 percent in six months and hog prices have dropped 45 percent.

The beef industry alone has lost almost $2 billion since last October with losses of a similar magnitude by producers of pork, poultry, and milk.

The Committee on Agriculture and Forestry has held a number of hearings on this subject since last January. We have heard of the financial losses sustained by many indidivuals. However, we have not had any recommendations supported by all interested parties that will provide immediate relief.

Again, let me say how gratified I am that the President has agreed to call together producers, packers, retailers, and members of Congress next week to discuss ways and means of alleviating the current crisis.

It is my very sincere hope that this White House Conference will result in a plan of action which will prevent additional bankruptcies among farmers, ranchers, and feeders. At the same time, packers and retailers must make a fair profit. Finally, all of this must translate into a price that consumers can afford to pay.

The PRESIDING OFFICER. Under the previous order, the Senator from North Dakota (Mr. YOUNG) is recognized for not to exceed 10 minutes.

THE LIVESTOCK INDUSTRY

Mr. YOUNG. Mr. President, the livestock industry is in serious trouble financially, and something must be done immediately to help this important segment of our economy.

A bankrupt cattle industry will, sooner or later, have an adverse effect on the consumer. The cattle feeder is losing from $100 to $200 per head, on every animal he sells. Many of these cattlemen are broke or unable to continue because of lack of financing. There soon will be more who will have to go out of business, unless cattle prices improve.

While the cattle producers are going broke, the spread between the price the retailer pays for the beef and what it is sold for over the counter has reached 46.3 cents per pound, which is an all-time high. This is an intolerable situation which cannot be permitted to continue.

The Secretary of Agriculture and Congress, can and should immediately do everything possible to save the livestock industry before it is too late.

Mr. President, I recommend several actions be taken immediately.

The Federal Trade Commission should make a thorough investigation into the all-time high price range, between the price the retailer pays, and what the consumer has to pay over the counter at the store, for the beef he buys. The processors and handlers are enjoying an unprecedented profit, while the livestock people are suffering a financial disaster and the consumers are complaining about the high price of meat. The Federal Trade Commission should take whatever action is necessary to correct these inequities.

Import quotas must be reinstated to prevent the exporting countries from dumping their excess meats on our market. This is especially necessary right now when Japan and the European Common Market countries have placed restrictions on the importation of beef. Negotiations must move forward immediately with Canada so our producers can continue to sell on this traditional market. This market alone in the past has handled up to 30,000 of our cattle per week.

In 1955, when the livestock industry was in serious trouble, the Federal Government purchased 865,000 cattle with section 32 funds, for the school lunch program and food relief to be used around the world. The Department of Agriculture should start immediately to buy large quantities of meat for school lunch and other programs. The school lunch program has received very little meat or other surplus commodities in recent years. Purchasing beef for this and other similar programs would serve a very worthwhile purpose.

The Department of Defense should also immediately increase its purchase of meat for future use.

Mr. President, cattlemen also need financial assistance to continue their operations. Many of their local banks are unable to continue financing them. The Federal Government should, therefore, make available federally guaranteed loans, so local bankers could continue to finance livestock producers, to prevent them from going broke and out of business.

We cannot afford to let these livestock producers go broke as this would not only affect them, but the entire economy.

Unless we take action immediately, in all of these areas to help the livestock producers, there will be less cattle in the feedlots and less cattle on the range, which will mean fewer calves next year. This will only lead to a drastic shortage in the amount of beef available, with the result that the consumers will have to pay even higher prices for the short supplies of beef which will be available to them.

The consumers have just as much at stake, if not more so, in this present beef crisis than the cattlemen themselves.

ORDER OF BUSINESS

The PRESIDING OFFICER. Under the previous order the Senator from Iowa (Mr. HUGHES) is recognized for not to exceed 10 minutes.

Mr. ROBERT C. BYRD. Mr. President, without prejudice to the distinguished Senator from Iowa (Mr. HUGHES) I ask unanimous consent that Mr. HANSEN now be recognized out of order.

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

BELEAGUERED CATTLE INDUSTRY

Mr. HANSEN. Mr. President, I am encouraged by the very strong, bipartisan approach developing in the Congress to find ways of helping the beleaguered cattle industry.

It is apparent to us here in the Senate and the House of Representatives that not only are cattle feeders and producers in serious trouble, but that in the future, consumers will be in trouble, as well. A depressed and insolvent livestock industry will not be able in the years ahead to provide an abundant and reasonably priced supply of meat for American consumers.

And, the thousands of small, rural communities across the country whose economies are tied directly to the livestock industry will suffer as the industry suffers. Already, the economic pinch is being felt in rural America, where an alarming number of feeders have gone bankrupt, or face the distinct possibility of bankruptcy as banks and other lending institutions become concerned about the quality of their loans.

The Production Credit Association, a major source of operating credit for livestock producers, has informed its directors and employees of an "alarming decline in the quality of many of our loans."

Eugene Munson, President of the Norfolk, Nebr. PCA, told his Association's employees in a recent letter that:

The past seven months have resulted in what may well develop to be the most protracted and most serious economic catastrophe in the history of cattle feeding. You should be aware that we are witnessing an economic disaster of major proportions in some of our cattle loans. We will continue to finance these people to the best of our ability and attempt to maintain a policy of sound lending practices.

It is getting a little tricky to continue financing some of our members and do it on a basis that has been previously considered sound lending practices; however, we will continue to do the best we can under the circumstances and I am sure we can make things work to the mutual advantage of the member and the Association in most cases.

Mr. President it is already an established fact that most feeders are in serious financial condition, and that producers will be in a similar situation before long. Whether these individuals can recover from the present crisis will depend to a great extent on the availability of credit, and it was to insure a dependable source of credit that Senator CURTIS introduced on June 7 a bill to permit Federal guarantees of loans to qualified producers. This approach should be helpful.

I am pleased, incidentally, that the Senate Agriculture Committee plans hearings beginning today on the Curtis bill and other bills aimed at insuring credit for the livestock industry. A Wyoming producer-feeder, Mr. Ronald Wolff, phoned me yesterday and we visited at some length about the approach the Government should take to help producers obtain credit in order to survive the present crisis, without imposing unnecessary Federal influence over the functioning of the industry.

The industry traditionally has operated free of Government subsidies and intervention—a fact of which all producers and feeders are justly proud. In our effort now to help prevent a total disaster for the industry, which was precipitated initially by the Government's price control policies, we must take care not to go overboard.

Mr. Wolff, and others in my State, have outlined the approach they prefer. In a letter to me, Mr. Wolff set forth some guidelines that ought to be kept in mind as we discuss credit availability for the livestock industry.

He makes the point that any Government program aimed at making credit available should embody the traditional elements of risk and responsibility for the lender and the recipient which normally characterize most credit transactions. Doing so will insure prudent and legitimate conduct on the part of all.

For a temporary period, he proposes a Government guaranty of a portion of individual loans, but he does not suggest subsidization of the interest rate. And, he proposes that a strict dollar limit not be imposed in any Federal program temporarily made available, since this would exclude a number of large operators who are just as hard hit as the smaller operators.

What would be of immediate benefit would be restrictions on imported meat from abroad. According to an article in Friday's Star-News, it appears the administration is not enthusiastic about limiting imports, and intends, instead, to try to persuade middlemen and retailers to reduce profit margins. While lower retail prices, achieved by narrowing unduly wide profit margins, would help, I feel strongly the administration should use the 1964 meat import quota law to bring about a restriction on the import level. If the chaos rampant throughout the cattle feeding business today does not warrant stopping imports now, there will never be a time when this law should be used.

Nearly half the Members of the Senate have expressed to the White House their strong belief that imports should be restricted and the Government should expand programs to purchase beef for use by the military and the school lunch program. The situation is of such seriousness that every possible approach must be considerd. No hyperbole is required to underscore the national significance of the disastrous chain reaction effects of a bankrupt livestock industry.

Mr. President, I ask unanimous consent that a Production Credit Association letter relating to livestock loans, a Star-News article about the cattle industry, a Wall Street Journal article about numbers of cattle on feed, a letter from Wyoming feeder Ronald Wolff, the text of a letter to the President signed by 44 Members of the Senate, and a telegram I sent to the President on June 5, 1974, be printed in the RECORD.

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

FEDERAL INTERMEDIATE
CREDIT BANK OF OMAHA,
Omaha, Nebr., June 10, 1974.

Hon. CLIFFORD P. HANSEN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HANSEN: Attached is a copy of a letter to the directors of the Norfolk Production Credit Association, Norfolk, Nebraska, in which the president briefly discusses the impact that the losses being taken by cattle feeding operations will have on the Association. A copy of this letter has been sent to the members of our District Board of Directors and our Federal Director because it summarizes the situation.

The loan volume of this Association exceeds $37 million, and approximately 60% of their volume is in loans to cattle feeders.

The concerns of Mr. Munson are shared by all of us in the PCA/FICB System as the losses being incurred by cattle feeding operations continue to increase each day. The PCAs in our District are reviewing their cattle feeding loans to determine what steps can be taken to minimize the losses and what adjustments can be made so the operators can remain in business.

Yours very truly,
D. L. HOVENDICK, *President.*

NORFOLK PRODUCTION
CREDIT ASSOCIATION,
Norfolk, Nebr., May 20, 1974.

TO ALL DIRECTORS:

We enclose, herewith, a copy of the revised Salary Administration Program. This copy should be inserted in your PCA Personnel Program Handbook in the "Salary Administration" section. Whatever material you now have in that section can be discarded.

It appears now that it may be necessary for us to have a director's meeting sometime in June to discuss an inevitable assessment to purchase additional FICB stock. We will also need to discuss current interest trends and the alarming decline in the quality of many of our loans.

I realize "at this particular time" these are three unpleasant topics to discuss, however, they are all very real. I am very much concerned about the severe decline in the overall credit quality of our loans.

The past seven months have resulted in what may well develop to be the most protracted and most serious economic catastrophe in the history of cattle feeding. You should be aware that we are witnessing an economic disaster of major proportions in some of our cattle loans. We will continue to finance these people to the best of our ability and attempt to maintain a policy of sound lending practices.

It is getting a little tricky to continue financing some of our members and do it on a basis that has been previously considered sound lending practices, however, we will continue to do the best we can under the circumstances and I am sure we can make things work to the mutual advantage of the member and the Association in most cases.

While a number of our loans have developed a serious credit weakness requiring more than normal supervision, we consider most of them to still be collectible in full.

Respectfully yours,
EUGENE MUNSON, *President.*

RUSH TO PRESS MIDDLEMEN FOR LOWER MEAT PRICES

[From the Washington Star-News, June 14, 1974]

(By Lee M. Cohn)

The administration will press middlemen to lower retail meat prices by reducing their profit margins, Kenneth Rush, President Nixon's chief economic adviser, said today.

This is the best way to overcome the glut of meat that has depressed cattle and hog prices, Rush said.

He indicated strongly to reporters that the administration will reject demands by cattlemen for meat import quotas as a means of raising domestic livestock prices.

Rush and Agriculture Secretary Earl L. Butz have called a White House meeting Monday with cattlemen, feeders, retailers and others in the meat trade, in response to demands by livestock producers for government action to raise prices.

One demand, backed by influential members of Congress, is for the reimposition of quotas to curtail meat imports.

Noting reports that some cattlemen are threatened bankruptcy because livestock prices have plunged while feed prices remain high, Rush said the administration is willing to help.

But import quotas would not help much, and might have adverse side effects by aggravating inflation and leading to foreign retaliation against U.S. agricultural exports, he said.

The real problem is that retail demand for meat has dropped below heavy supplies, he said. And he blamed middlemen for failing to lower prices in step with declines in livestock prices.

Rush said he will urge middlemen at Monday's meeting to narrow their profit margins as a way to lower retail prices and thus stimulate meat buying.

He said he also will urge retailers to push harder with promotion of meat sales through weekend specials.

Asked what the administration might do if the middlemen refuse to cooperate, Rush ad-

vised, "Use your imagination." But he ruled out renewal of price controls.

Additional efforts to boost livestock prices include negotiations with Australia and Ireland for voluntary restrictions on their meat exports to the United States, Rush said.

He also said the United States is negotiating with Canada and other countries to relax their restrictions on imports of meat from here.

Rush indicated that he plans to hold meetings with leaders of labor and business in a wide range of industries, beyond the meat industry, to urge restraint on wages and prices now that controls have expired.

"The danger of a wage explosion is one of our real inflationary threats overhanging the economy," he said, adding that business also must avoid raising prices as much as the traffic will bear.

Rush reiterated that the administration is studying ways to trim federal spending in the fiscal year starting July 1, but said a Senate bill calling for a $10 billion reduction in the $305 billion budget is "unrealistic."

He said the administration is aiming for a balanced budget in the following fiscal year. This will require an intensive search for programs to reduce or eliminate, he said.

[From the Wall Street Journal, June 14, 1974]

JUNE 1, CATTLE ON FEED FELL 16 PERCENT FROM 1973 IN SEVEN STATES

WASHINGTON.—Effects of the economic tornado recently sweeping the cattle industry were evident in the Agriculture Department's latest report of cattle on feed.

As of June 1, cattle and calves on feed for slaughter in seven key states totaled 7,885,000 head, down 16% from a year earlier. Moreover, animals placed on feed in May in these markets plunged 40% from May 1973 to 1,078,000 head, the department said.

One department economist said, "shakeout" caused by the plunge in cattle prices was particularly severe in Arizona and Texas where the biggest custom feedlots are located. May placements were down 49% and 55% from May 1973 in those states, respectively, reflecting the loss of financing that such operations have experienced as cattle prices softened. By contrast, in Iowa and Nebraska, where feedlots tend to be smaller, family operated ventures, the May placements were off only 20% and 33%, respectively.

Other states covered by the June 1 report are California, Colorado and Kansas.

The department also said feed-cattle marketings in those seven states slumped 9% in May from a year earlier. However, the economist said total beef production in May is estimated to have risen 3% to 4% because the average weight of marketed animals is unusually high and because producers are bypassing feedlots to ship cattle directly to slaughter.

TWO BAR RANCH, CO.,
June 17, 1974.

Hon. CLIFFORD P. HANSEN,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR HANSEN: Prompt and meaningful assistance must be made available to commercial cattle feeders if they are to continue to buy and feed cattle to supply the consumer with fed beef.

The most severe financial losses in the history of cattle feeding have eroded the capacity of commercial cattle feeders to continue to buy replacement feeder cattle. The resultant lack of demand for feeder cattle by commercial feeders has, within recent weeks, caused market prices of feeder cattle to plummet, thus threatening the survival of the rancher and the producer of feeder cattle.

A drastic reduction in supply of fed beef will result by late summer or early fall unless numbers of cattle on feed are increased.

To date, the cattle feeder or finisher is the only segment of the beef production industry to lose the capacity to continue to produce. It is the commercial feeder who establishes the market for feeder cattle and provides a high percentage of fed beef for consumers.

It is imperative now to aid in re-establishing the recently destroyed buying capacity of commercial feeders and prevent drastic losses to other segments of the industry and to consumers.

Appropriate assistance embodying incentives for economics, and safeguards against abuses, should be provided by government on a temporary basis, through commercial lending channels to beef producers who have demonstrated skill and dedication, and have been severely damaged by the economic chaos in the cattle markets.

Assistance should embrace certain principles which are suggested below. Specific proposals could be developed, given more time.

First: Financial aid should be provided through established commercial banks that are presently involved in livestock financing.

Second: Risk of loss should be present in any new program to both lender and the cattle feeder in order to insure prudent and legitimate action.

Third: For a limited time, cattle feeders' equity should be supplemented by a government guaranty to a lending institution, so that the greatly reduced equity of the cattle feeder could be extended. The guaranty should cover a percentage of the loan provided by the lending institution.

Fourth: The lenders should increase the percentage of funds loaned against the cost of feeder cattle and feed above traditional levels.

Fifth: Assistance should not be limited in a flat dollar amount per operator, but should be restricted to those who are presently operating, and designed so as to enable operators to re-establish some or all of their former operating capacity, within the limits of prudent operating and prudent lending supported in this manner by government guaranties. A very large segment of the industry consists of large operators who have suffered losses of many millions each. Aid should enable larger as well as smaller operators to continue to make their contributions to the supply of beef for America.

I wish to express my appreciation for your efforts and for your understanding of these problems and their effect upon the cattle industry, the State of Wyoming, and finally, all consumers in the United States.

Sincerely yours,

RONALD WOLFF.

U.S. SENATE,
OFFICE OF THE MAJORITY LEADER,
Washington, D.C., June 13, 1974.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: This morning, a bipartisan group of Senators gathered in an emergency meeting to discuss the crises the entire livestock, poultry, and egg industries are now facing.

Fed cattle prices have declined by 25 percent in the last six months, feeder cattle by almost the same amount, hogs have declined by 43 percent, turkeys are selling for 24 percent less this May than a year ago, broilers about 13 percent less, and eggs are 37 percent lower than in January of this year.

We are seeing evidence that cattle feeders are currently losing from $100 to $200 per head of cattle and hog producers $30 per hog.

If these conditions are allowed to continue, the entire livestock farming complex faces imminent and total collapse. Farmers face bankruptcy that would mean the loss of a lifetime's work, as well as a precipitous drop in livestock production. This not only endangers individual farmers but also the economy, agriculture in general, rural communities, small banks, and the American people as a whole.

Agriculture is integrated, and failure of any sector is reflected throughout the entire agri-business community. The strength of our Nation is tied to the availability of plentiful food and a healthy agricultural sector. Rural communities would collapse if agriculture is lost, and consumers would find less food of lower quality and higher cost if this situation persists.

We are firmly convinced that if the consumers of this Nation understood the complexities and the implications of the problems now facing the livestock industry, they would fully support the remedial action now so necessary to prevent this total collapse.

Meat and other high protein foods are an integral part of the diets of the consumers of this Nation. They need it, farmers want to supply it, so it is imperative that we move to assure that they have it in abundance at fair and reasonable prices.

We know you are well aware of this grave situation. We commend you for your timely and forceful action in calling a high level meeting on this subject at the White House for Monday.

The inclusion of representatives from government agencies, meat packing firms, food chains, farm credit institutions, cattlemen, and hog producers is especially laudable. We applaud this effort and sincerely hope that out of this will come a program whereby the entire industry and consumers will benefit.

It was the consensus at this morning's meeting that a number of steps might be immediately taken which could materially strengthen the market.

We, therefore, call upon you to:

(1) Exercise the authority you now have under the existing meat import law (Public Law 88-482) to prevent the dumping of surplus world supplies of meat on American markets. In this connection, we note that Japan, Canada, and the European Economic Community have imposed restrictions on the importation of meat into those areas in order to protect their industries.

(2) Immediately initiate substantial government purchases of red meat and poultry to upgrade the diets of our Nation's school children and to use in our commodity distribution program. The Department of Defense should also be directed to make additional purchases for use by the Armed Services. This is imperative since the cold storage stocks of red meat in the United States are currently over one billion pounds. To maintain such excesses not only injures the market, but is not humane, given the needs of our children, aged, and poor people.

(3) Exhort the wholesale and retail community to pass on now to the consumers of this Nation the meat bargains all of this country should enjoy. If voluntary action is not taken by the industry, the Federal Trade Commission should be directed to begin a complete and thorough investigation, with the results made public immediately.

Congress pledges and commits itself to move immediately to provide credit relief to the livestock producers of this Nation. On Monday, June 17, the Senate Committee on Agriculture and Forestry will hold hearings on the emergency credit bills before it. The House Committee on Agriculture will follow with additional hearings.

Bills will be before the Congress for consideration within a week or two. We urge your strong support.

Mr. President, we propose these actions in the best interest of all of the people of this Nation. The food chain—from farm to consumer—must not be broken or weakened. And the total is no stronger than the weakest

link. Today the livestock industry is that link. It must receive immediate attention.

Sincerely,

Henry M. Jackson, Warren G. Magnuson, Dewey Bartlett, James Abourezk, James B. Allen, Lawton Chiles, Harold E. Hughes, Quentin Burdick.

Mike Mansfield, Vance Hartke, Carl T. Curtis, Ernest F. Hollings, George McGovern, Joseph M. Montoya, Frank E. Moss, Floyd K. Haskell.

Alan Bible, Hubert H. Humphrey, Howard W. Cannon, Lloyd Bentsen, Dick Clark, Jim Eastland, John L. McClellan, J. W. Fulbright, Sam Nunn, Pete V. Domenici, Henry Bellmon.

Frank Church, Gale W. McGee, Lee Metcalf, Herman E. Talmadge, Milton R. Young, Stuart Symington, Thomas F. Eagleton, Peter H. Dominick.

John Tower, Barry Goldwater, James B. Pearson, Edward J. Gurney, Clifford Hansen, Robert Dole, James A. McClure, Paul J. Fannin, Roman Hruska.

JUNE 5, 1974.

The PRESIDENT,
The White House,
Washington, D.C.

Since last September, American cattle feeders have lost more than $1.5 billion. They are in desperate trouble, and the 1.55 billion pounds of imported meat expected to flood our market this year is compounding a critical situation. The expected import level this year of seven percent of domestic production is too high. The quotas called for by the 1964 Meat Import Quota Law should be immediately imposed.

I urgently request that you move immediately to impose restrictions on imports of beef. Japan, Canada and the Common Market countries are turning away beef shipments, and it is imperative the United States act to prevent the dumping of these shipments on our own depressed market. An industry seriously weakened today cannot provide a sufficient and reasonably-priced supply of meat to consumers tomorrow.

CLIFFORD P. HANSEN,
U.S. Senator.

ORDER FOR RECOGNITION OF SENATOR PEARSON INSTEAD OF SENATOR McCLURE

Mr. HUGH SCOTT. Mr. President, I ask unanimous consent that the time allotted today to the Senator from Idaho (Mr. McCLURE) be transferred to the Senator from Kansas (Mr. PEARSON).

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

Under the previous order, the Senator from Kansas (Mr. DOLE) will be recognized for not to exceed 15 minutes.

DEPRESSION IN THE LIVESTOCK INDUSTRY

Mr. DOLE. Mr. President, a great deal has been said here recently, on both sides of the aisle, about the severe conditions in the livestock industry. These discussions are greatly needed. Every livestock producer I know—and that includes cattlemen, hog farmers, and everyone else involved in animal husbandry—is in deep financial trouble. At stake are food prices for consumers, the viability of the livestock industry, and ultimately the economy as a whole. So it is entirely appropriate that the situation be discussed here and solutions be proposed.

TIME FOR ACTION

However, I believe the time has come to stop talking about the situation and to start taking action. Together with many of my distinguished colleagues, I have had meetings with numerous administration officials. Yet we still see our borders wide open to shipments of foreign beef—at a time when all other major importing nations have closed their doors to meat imports from our country and others. In my opinion, the administration has failed to take sufficiently positive action on import quotas and other measures.

CONGRESSIONAL INITIATIVE NEEDED

So it is time for the Congress to take action. I have made several proposals before this body concerning import quotas, guaranteed loans and increased consumption of beef, and I hope we can act on them promptly.

It is significant that we are having hearings on guaranteed loan proposals this afternoon in the Senate Agriculture Committee. I am looking forward to testifying on my own bill.

HANDOUTS NOT WANTED

It should be said, to the credit of the livestock producers, that they are not looking for Government handouts; they are not looking for subsidies; they do not want some grandiose, expensive Federal relief program. This type of program would invite additional Government interference in the industry and in general terms is contrary to the tradition of livestock producers. However, they do, I think, need financial backing to stay in business through this crisis. This is why I proposed a measure to provide guaranteed loans, but without subsidized interest rates.

Mr. President, several bills have been introduced in the Senate to provide loans to cattlemen, and hog and other livestock producers, at reduced interest rates. I have not given my support to these measures.

I have met and talked to a large number of cattlemen, their representatives, and their organizations. I have also talked with their bankers. Almost to a man, they have opposed Government-subsidized loans.

The cattle business and other livestock industries have traditionally been independent of Government assistance. They are proud of their tradition of self-sufficiency.

Cattlemen understand the problems of consumers. They do not want to saddle consumers with higher meat prices through a loan program subsidized by tax dollars.

So I think a guaranteed loan program without subsidized interest rates is responsive to the needs of the industry. It would prevent the financial collapse of those involved in animal husbandry while not costing the Government large sums of money. Since this type of program would help prevent the recurrence of meat shortages and soaring meat prices, with a low cost to taxpayers, it can be described as truly anti-inflationary.

There is concern among at least some cattlemen, that a guaranteed loan program, once started, would be continued indefinitely by the Congress. Rather than making such a program a further addition to the Federal bureaucracy and to Federal involvement, a specific limitation should be made that the program will expire upon recovery of the market.

IMPORT QUOTAS NEEDED

Mr. President, at a time when we have no restrictions at all on incoming shipments of foreign meat, the major importing nations in the European Economic Community and Japan have closed their doors.

While the liberalization of trade offers much benefit to agriculture as a whole, it appears we have a tendency to give away our bargaining positions unilaterally without obtaining comparable concessions from other nations. We see that a recommendation has been made to extend the suspension of import quotas on wheat. A similar position seems to be developing on meat imports.

Last week I offered an amendment to reimpose import quotas. I was withdrawn to give the administration officials, producers, packers, and retailers meeting at the White House conference being held today an opportunity to work out a complete program.

However, if those efforts fail there, I believe it is imperative that the Senate should act on the import quota issue. Considering the condition of the livestock industry, ranchers, and farmers do not need the additional "salt in the wound" of record level imports. As I promised last week, I plan to offer my amendment for a vote if more positive action is not taken by the administration on the import issue.

THE 1974 IMPORTS UP

Since beef imports quotas were lifted in 1972, we have seen the United States become "the world's dumping ground for beef." We have seen incoming shipments of beef rise to 1,354 million pounds of beef in 1973.

In 1974, imports are expected to rise to 1.55 billion pounds. This is about 200 million pounds more than last year's shipment for an astounding increase of nearly 15 percent. Such a level of imports is equivalent to about 3.25 million head of cattle.

In terms of the overall beef industry in the United States, the 1.55 billion pounds of beef imports expected this year represents from 7 to 10 percent of the total quantity of beef produced in this country last year. Clearly this portion of the market is enough to have a harmful effect on prices.

And the true level and impact of beef imports this year may not have been properly evaluated yet. Large numbers of cattle are reportedly being fattened in Australia for export. This beef is expected to hit the U.S. market later this summer at the same time increased numbers of American cattle will be ready for sale.

MARKET DEPRESSED BY IMPORTS

The impact of beef imported into this country will be to further depress the market. This meat comes from countries where cattle are fattened for market on grass. While grass-fed cattle can be fattened more cheaply, the meat from these animals is not of the quality most desired by American consumers. The major portion of grass-fed beef will find

its way into cheaper cuts such as hamburger and lunch meat.

The deluge of Australian meat expected later this summer will drive the market even lower than the present disastrous prices. The effect is likely to be that most commercial feedlots where prime American beef is produced will be driven out of business and the domestic output of meat will decline.

FUTURE OUTLOOK REMAINS POOR

Mr. President, the outlook for the cattle industry is especially severe for several reasons. First, cow slaughter and the thinning of cowherds is above normal. Second, we have a large inventory of beef in storage at this time. Third, there is a large supply of beef on the hoof presently existing in feedlots which must come to the market in the near future. Finally, since import restrictions have been implemented in Japan and the European Economic Community, we have seen the shipments of beef all over the world redirected to the United States.

All of these trends means additional beef coming onto the U.S. market. The addition of increased imports will greatly contribute to the market glut and a disastrous situation in the livestock market. The only result can be widespread bankruptcy for cattlemen in Kansas and all across the country.

To provide relief from this increase in imports, we need an immediate reimposition of meat import quotas.

INCREASED CONSUMPTION NEEDED

In addition, several other actions should be taken to increase the consumption of meat. For example, the Government could be expanding its purchases of beef. This would only be a tiny part of the market, but it would help. And it would be a thrifty purchase for taxpayers. Now that livestock is at the lowest prices in 10 years in some cases.

Packers and retailers also may find it beneficial to take actions to strengthen the market. It has been pointed out that packers and retailers are integral parts of the industry. If producers and feeders go out of business, the packing and retail companies will also undoubtedly suffer. Special sales, reduced margins, and stronger bidding may be ways to accomplish this.

I am not advocating that packers and retailers should not receive a fair profit. On the contrary, it is with fair profits and steady incomes in mind that I hope the entire meat industry will consider these suggestions.

In addition, the Department of Agriculture could take a more active role in the exports of our animal products. The Canadians need to be better informed about DES in our cattle feeding. The EEC and Japanese governments should be strongly encouraged to modify their import policies.

CONSUMER IS MAIN CONCERN

As I have said many times before, the most important point of this whole situation is that consumers will ultimately be hurt the most by economic disaster in the cattle industry, and this, Mr. President, is an issue that every Member of this legislative body will have to answer to.

Cheap imported meat this summer may lower the food bill for housewives for awhile, but the disruption in the domestic production of beef will ultimately lead to higher prices.

The present trend in the cattle business is that cowherds are being thinned, feedlots are being shut down, and there is a general decline in our ability to produce meat. The future outlook promises a continuation of this trend.

As every cattleman knows, it takes a 3-year cycle to increase the production of beef again once it has dropped. If our capacity to produce is hurt this year, consumers can ultimately expect a long and higher priced road back to an ample supply of tender and juicy choice beef.

Mr. President, again I want to stress that the time has come to stop talking and start taking action. I believe every Senator should agree on this matter, because in this case, consumer and livestock producer interests are the same. Hopefully, we will soon see more positive actions taken to relieve the conditions in the livestock industry.

IMPACT IN KANSAS

Let me add to my statement that in our own State of Kansas it has been estimated by knowledgeable officials in my State that we have a $2 billion industry in livestock. In the past 8 months this industry has lost, either directly or in equity, in excess of $600 million.

I come from a small State. It is a very proud State, proud of its agriculture and proud of its livestock industry. We want that industry to survive. We are concerned about the American consumer. If more and more livestock feeders go out of business, prices are going to go higher and higher. We are concerned about profit margins. We are concerned about prices that consumers pay. We find most consumers expect everyone to make a reasonable profit. That is all the American livestock producer asks. I would hope that, not just as a result of this exercise this morning, but as a result of the initiative of Members of Congress of both parties, within a week, or at least 2 weeks, positive action will be taken, if not by the administration, then by Congress.

ORDER OF BUSINESS

Mr. ROBERT C. BYRD. Mr. President, without prejudice to other Senators whose orders follow, I ask unanimous consent that the Senator from Wyoming (Mr. McGEE) may be recognized.

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

THE LIVESTOCK CRISIS

Mr. McGEE. Mr. President, I want to first commend the leadership for setting this time for Senators to place on public record their concern over the deep economic problems facing the livestock industry in this Nation. I also want to compliment the distinguished majority leader, Senator MANSFIELD, for his efforts in this regard and for calling the bipartisan meeting last Thursday so that Senators from agricultural and livestock States could discuss together these problems and decide upon a course of action which will rescue the livestock industry from this impending crisis. I share the concern of the 35 or 40 Senators who attended that meeting and, accordingly signed the joint letter to President Nixon urging him to take the actions necessary to return the livestock industry, including the ranchers, farmers, and feed-lot operators, to an economically sound and viable segment of our economy.

Mr. President, the White House has announced a conference which will be held today. Invited to that high-level meeting are cattlemen, meatpackers, grocery chain executives, and agricultural leaders. I remain hopeful that with the proper leadership and with open consideration of all of the many complicated factors involved that conference will be productive, and thereby prevent widespread bankruptcies among the cattle feeders and curtail the falling price of live cattle.

In our joint letter to the President, we recommended to him that three specific actions be taken, and I hope that full consideration will be given to these recommendations during the White House conference.

First, we have called upon the President to exercise the authority which he now has under the Meat Import Act of 1964 to establish import quotas for foreign imports of fresh, frozen, and chilled beef, veal, mutton, and goat. Mr. President, as an original sponsor of the legislation which resulted in the Meat Import Act of 1964, I wholeheartedly support this recommendation and urge that the quota system be immediately implemented. Since the import quota law was enacted, it has worked well for us to the benefit of our livestock industry until June of 1972 when President Nixon ordered that all import restrictions under the act be suspended. This action was, indeed, a mistake. It is even more important now that the import quota system be reinstated because of the world market situation. Every meat-consuming nation in the world except the United States, including Japan, Canada, and the European economic communities, have imposed restrictions on the importation of meat in order to protect their domestic industries. If we fail to act quickly, the world excess in beef production will be dumped into this country, causing further damage to our own livestock industry, which is already in deep trouble.

Mr. President, this recommendation is a reasonable and just one insofar as our foreign friends are concerned. As you know, the 1964 import quota law is not an embargo. It gives foreign countries a fair share of our domestic market based upon total consumption, usually around 6.7 percent of total U.S. production. During the first 4 months of 1974, meat imports jumped an alarming 2 percent over the same period in 1973. Unless we act to restrain this trend, foreign imports will comprise from 9 to 10 percent of our total domestic consumption. This would be disastrous to ranchers who are confronted with ever-increasing costs of operation due to inflation and declining market prices.

Most cattle feeders, especially the small operators, will be forced to the brink of bankruptcy and will find it necessary to reduce or curtail their purchases from ranchers and farmers. We are advised that the feed lot industry is currently losing from between $100 and $200 on cattle being marketed. Therefore, the farmers, ranchers, and feed lot operators are desperately in need of assistance in this diminishing domestic market.

Mr. President, second, we have urged the President to initiate immediately substantial Government purchases of red meat and poultry to upgrade the Nation's school lunch program and to expand our commodity distribution program. Furthermore, the Department of Defense should be directed to make additional purchases for use in the armed services. This is a short-term remedy, but at this critical time it would be an exceedingly useful tool with which to strengthen the market and, at the same time, help meet the nutritional needs of our underprivileged children, the aged, and the poor alike.

Third, Mr. President, we have urged the White House to call upon the wholesale and retail community to react in a positive way to this crisis by passing on to the consumer of this country the true bargains which are available from our domestic producers. It is indeed ironic that retail prices of all fresh meats remain at an all-time high, while, at the same time, our beef producers are faced with declining prices for their livestock on the hoof and net operating losses. It is indeed high time that the wholesale and retail segments of the distribution line respond with lower prices and bargains for the housewife in order to increase demand and to provide the much-needed relief for domestic producers.

Mr. President, unless the administration responds in a meaningful way as we have proposed in our letter to the President, the livestock industry in this country will be in very serious trouble and the very backbone of our agricultural industry as we have known it, including the feed grain sector, will be placed in jeopardy. Should this happen, it is incumbent upon Congress to take legislative action to compel the reinstatement of import quotas. Accordingly, I have joined in sponsoring legislation which would accomplish this should the administrative remedies which we have recommended not be implemented.

Mr. President, as another indication of the seriousness with which the Senate views the crisis confronting our livestock industry, the Subcommittee on Agricultural Credit and Rural Electrification, chaired by Senator MCGOVERN, will be holding hearings on legislation to provide emergency assistance to the cattle industry under the Department of Agriculture loan program. There are at least four such bills pending before the subcommittee, and I am a sponsor of one of these proposals, S. 3605. The measure would provide emergency assistance to persons engaged in the cattle-raising business by authorizing the Secretary of Agriculture, for a temporary period of time, to guarantee loans made to such persons until they can sell their livestock. It is imperative that we proceed quickly with this legislation, and I am hopeful that we can win final congressional approval within the month. As I indicated earlier, livestock feeders are currently selling their cattle at a loss and obviously cannot continue doing so without being driven into bankruptcy. Since September of 1973 livestock feeders have lost more than $1.5 billion. Last week the farm price of beef was quoted in the Wall Street Journal at $38 per hundredweight, as opposed to $46.60 a year ago. Cattle production is down 4 percent from what it was last year at this time. Unless the market situation can be corrected, this decline will continue, and we will begin to see empty counters in the supermarket and the housewife will see no beef available at any price.

Mr. President, I believe that we all view this as a crisis situation, and I urge my colleagues to support not only this legislation, but also the other recommendations which have been made to rescue this basic and vital industry in our Nation.

Mr. President, I want to stress one point, and that is that in the State of Wyoming the cattle industry is a major bastion in our economy. Indeed, it is our second largest ingredient in the State's economic life.

While I have sometimes kidded about being the fourth largest rancher in Du Noir Valley with my 13½ acres of land, I do not own a single steer, and, therefore, perhaps I am in the most unprejudiced and objective position of all to make the point that meat is a part of the basic staple of every consumer in this country, and that what happens to beef and beef prices is really the issue here.

That is the reason why so many of us are petitioning for the restoration of the provisions of the 1964 meat import quota law. The Senator from Nebraska (Mr. HRUSKA) and I were the originators of that act when it was first enacted into law, and it was this administration that failed to improse its provisions a year ago.

The consequences are already obvious. So we ask for the immediate reinstituting of the 1964 meat import quota law.

Secondly, we also urge the Government to go full blast into the purchase of beef not only for the Defense Department but for the schools, and so forth. We think that will be an emergency kind of action that will help turn this matter around.

Finally, I would petition the members of the retail and wholesale community who handle beef to rise at this moment and pass along the savings or the lower prices from which they are already benefiting to the consumer.

We have been suspicious for all too long about a managed market, managed consumer prices in the food retail business, especially including meat. We think it is time now for the country to close ranks to make sure that we restore and turn around the direction of events that have at this particular moment brought to the brink of disaster the meat industry of this country.

I have had a great many letters, Mr. President, from my constituents in our State of Wyoming, but I have selected, because of the varying points they make, representative letters from that large number. I ask unanimous consent that they be made a part of the RECORD at the conclusion of my remarks.

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

DEAR SENATOR MCGEE: Due to the poor prices feeder cattle are now bringing and the high costs of producing these cattle, I hope that you will work to get President Nixon to reimpose quotas on imported beef.

The future looks pretty bleak from here right now. If the market goes even lower, I don't know how I will be able to keep my small herd of cows (fifty) another year. Pasture, hay, and supplemental feed are all very high and I must buy my total needs.

If import controls are reimposed under the Meat Import Act of 1964, it may help quite a bit. I don't believe we are asking too much.

I will appreciate anything you might be able to do to get import controls reinstated.

Sincerely yours,

MICHAEL J. HOHNHOLZ.

ROCK SPRINGS, WYO., *June 7, 1974.*

Hon. GALE MCGEE,
Senate Office Building,
Washington, D.C.

MY DEAR SENATOR: We of the livestock industry urge you to renew your efforts to see that the President reimposes beef quotas.

Yours truly,

MARGARET S. DICKINSON.

ENCAMPMENT, WYO., *June 5, 1974.*

Hon. Senator GALE MCGEE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: For a period of time last year I actually thought the Government was concerned about Agriculture and we would finally be able to make an income comparable to the population in other occupations; and people would realize one of the main reasons for the high standard of living here in the United States is because of the efficiency of American agriculture and the fact that less than 18% of disposable income is spent on food.

It is now very evident that I was wrong. Things look very bad out here in the Cattle Business. We have 10 to 20% increases in production costs, shortages, and a falling cattle market getting lower every day.

We do have our pride and don't often ask for help, but I believe we deserve some form of protection as is afforded many other industries. I am speaking of Beef Import Restrictions. I would encourage you to attempt to enact legislation to reinstate Beef Import Quotas. Also I am very concerned about Land Use Legislation. I urge you to vote against HR-10294.

And last of all inflation must be controlled if we are to survive as an industry or a nation.

Sincerely,

RALPH E. HAMPTON.

Senator GALE MCGEE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MCGEE: Surely you must realize the terrible state the cattle industry is in and appears to be getting worse. Producers and feeders all over the nation are faced with the possibility of financial disaster with costs more than double and prices the lowest in three years.

This letter is to ask you to see that President Nixon reimposes the import quotas suspended in 1972 (Meat Import Act of 1964). The imports flooding the American market have got to be reduced so that cattle prices can come up to a point where producers can at least break even.

Please support us in this endeavor to stay alive in the agricultural world by seeing that President Nixon reimposes import quotas.

Sincerely,

CELINDA THOMPSON.

DAYTON, WYO., *June 6, 1974.*

Senator GALE MCGEE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MCGEE: We wish to call to your immediate attention the serious economic catastrophe that has developed in the livestock industry.

Unless immediate action is taken to reimpose the quotas on beef imports so that the demand for our product will stabilize our prices at an economic level commensurate with the inflated prices of labor and supplies, then we will be facing a depression that will make the bust of 1929 look like a picnic.

Your positive action at this time can prevent chaos in the industry. Please act now!

Sincerely yours,

PAT and BRAD SPEAR.

CHEYENNE, WYO., *June 4, 1974.*

Hon. GALE W. MCGEE,
Senate Office Building,
Washington, D.C.:

Wyoming Stock Growers Association strongly urges that you contact the Office of the President of the United States in regard to the Meat Import Act. The Wyoming Stock Growers Association fully supports efforts of the American National Cattlemen's Association to convince the President of the United States to reimpose meat import quotas under the Meat Import Act. The beef industry is suffering tremendous losses at this time. The domestic production of beef does not have the ability to cope with the ever-growing meat imports. Projections place imports at one billion and one hundred fifty-seven million pounds in the second quarter of 1974. The cattle men, represented by the Wyoming Stock Growers Association, feel that the quotas be reimposed at the trigger point of one billion one hundred-thirty point seven pounds. The cattle business in Wyoming is very important to the economy of the State. The WSGA urges your immediate action on this matter.

Sincerely,

RICK M. ALLEN.

GRAHAM RANCH INC.,
Lander, Wyo., June 10, 1974.

Senator GALE MCGEE,
Washington, D.C.

DEAR SENATOR MCGEE: We don't believe it is necessary for us to take your time to tell you what a disaster area the cattlemen are in at this time so we will be right to the point and say.

Please help see that the President reimposes the beef quotas! ! !

Thank you very much.

Very truly yours,

JAMES M. GRAHAM,
President.

TOM GRAHAM,
Vice President.

T. T. (Ted) GRAHAM,
Second Vice President.

DOUBLE K. RANCHES, INC.,
McFadden, Wyo., June 11, 1974.

Hon. EARL L. BUTZ,
Secretary of Agriculture, Department of Agriculture, Washington, D.C.

DEAR MR. SECRETARY: As a Wyoming cow/calf producer, I feel compelled to write to you to emphasize the urgent need for immediate reimposition of meat import restraints. I respectfully seek your support to request that the President reimpose import restraints at or below the "trigger" point of 1,130,700,000 pounds.

I recognize that the United States must continue a free trade policy with the Asian and European countries; however, with the cost price situation being what it is today in the cattle industry, together with the prospects of more inflation and lower cattle prices this fall, I feel that if Washington is going to save the cattle industry from complete disaster, the import quota must be reinstated.

In my own situation, during the first quarter of this year, my costs are up 23% from a year ago. On the current market (although we are not marketing any cattle at this time), feeder cattle prices are down by more than 40% over a year ago. I honestly feel that if the current inflation continues and the current feeder prices continue to decline, my gross income will be at least 50% below that of 1973. If restraints are not immediately reimposed, I sincerely feel that the volume of fat cattle will decline; we will see a continuing cow herd liquidation, leading in the end to shorter beef supplies and higher prices to consumers. For myself, I see liquidation of my complete cow herd, subdivision of a portion of my environmentally aesthetic land, and sale of my irrigation water rights in order to pay off some of the high priced money that I am using and to put myself in a better financial position.

I am in great hopes that you will carefully study and take to heart this letter and many other letters that you will most probably be receiving. I am a Wyoming cowboy, I never get on my knees—but I am big enough to ask for help when I sincerely feel help is needed!

Very truly yours,

KIM J. KRUEGER,
President.

Mr. McGEE. Mr. President, I thank the majority whip for making it possible for me to speak at this point.

ORDER OF BUSINESS

Mr. ROBERT C. BYRD. Mr. President, without prejudice to the orders for other Senators to be recognized, I ask unanimous consent that I may now be recognized for such time as the distinguished Senator from New Mexico (Mr. MONTOYA) may require out of my time.

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

THE LIVESTOCK CRISIS

Mr. MONTOYA. I thank my distinguished colleague from West Virginia for yielding me some of his time.

Mr. President, we are here this morning to discuss the crisis which has beset the cattle industry. We have heard from both sides of the aisle this morning indicating that there is bipartisan concern with respect to the plight of the cattle industry.

At the very outset, I want to commend and congratulate and thank the distinguished majority floor leader (Mr. MANSFIELD) for convoking a conference last week of Members of both sides of the aisle to discuss this very serious question and problem. I think from that conference emerged a consensus which I hope will convince and persuade the executive department that some kind of relief is in order at the present time.

There can be no doubt that there is a crisis, but what a shame that there should be one at all. For years, the cattle industry has been self-sustaining. It has received no subsidy payments. No special programs have been instituted to improve its financial structure. Cattle people have run their businesses on their own initiative and on their own capital and they are rightfully proud of their record. It is, I am sure, therefore somewhat galling to them to find their business the subject of a debate on the Senate floor.

I should say, however, that they have little to be ashamed of, for this crisis is not of their own making. It is a crisis brought about in part by Government actions and in part by the circumstances of the general economy. The outlines of the crisis are generally known by those Senators here this morning and I will not belabor the point except to say that the crisis had its inception in the price freeze which was imposed upon the beef industry last year. Since the lifting of the price freeze, the crisis has been sustained by other factors such as last fall's decline in consumer purchases of beef and this winter's truck strike.

Whatever its causes, the beef crisis is real enough. Estimates are that this industry has lost more than $2 billion in the last year in the aggregate. On an individual level, the results have been equally devastating. Mr. Don McCasland of Clovis, N. Mex., has provided me with figures on 12 cattle companies operating around Hereford, Tex., during the past 5 to 8 years. The circumstances of these companies are very similar to those of cattle companies in my own State of New Mexico and in other cattle producing States. What does the figures show? They show, in one example, that a company with 5 years of experience which made a total profit of $133,857 over those 5 years with a 5.85-percent return on investment has so far lost $24,080 this year and expects to lose another $98,170 before the year is up for a total loss of $122,450. The overall result is that this company in 6 years of operation will have made a total profit of only $11,406 for a return on investment equal to .41 percent. Another cattle company at the end of 6 years operation will have lost 17 percent of its return on investments. Last year it had a 5.86-percent return on investment for the 5 preceding years. Yet another cattle company which over 5 years had made a total profit of $86,687 for a 9.42-percent return on investment is expected to lose $239,413 this year which will bring its 6-year return on investment to −9.08 percent, a loss in dollars of $152,726. I ask unanimous consent that overall figures on these 12 cattle companies be inserted at this point in the RECORD.

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

THE CATTLE FEEDERS STORY

FACTS AND FIGURES

These figures are given on 12 cattle companies operating around Hereford, Texas, during the past 5–8 years.

Projected losses in each company for the balance of 1974 is based on the current cost of gains of 50 cents per pound and the current fat cattle price of 40 cents per pound.

Most of these cattle have been light weight heifers finished for slaughter. Others are yearling steers sold as feeder cattle.

Year	Pens	Number pens	Number cattle	Total investment	Total profit	Percent return on investment
CATTLE COMPANY "A"						
1969	1-11	11	1,674	286,834.39	35,158.15	12.26
1970	12-24	13	2,309	418,250.48	13,844.71	3.31
1971	25-40	16	2,552	536,910.76	15,615.62	2.92
1972	41-56	16	2,129	443,501.16	39,496.60	8.91
1973	57-72	16	2,080	602,400.86	29,742.59	4.94
Total 5 yr		72	10,744	2,287,897.65	133,857.67	5.85
1974	73-75	3	510	198,791.16	−24,280.76	−12.21
Projected 1974	76-81	6	722	320,720.01	−98,170.00	−30.61
1974 total		9	1,232	519,511.17	−122,450.75	−23.57
Total	1-81	81	11,976	2,804,408.82	11,406.92	.41
CATTLE COMPANY "B"						
1969	1-9	9	1,385	238,032.34	28,668.68	12.04
1970	10-20	11	1,831	377,383.69	15,569.93	4.13
1971	21-33	13	2,218	435,993.92	6,268.37	1.44
1972	34-45	12	1,822	389,234.15	41,557.40	10.68
1973	46-62	17	2,420	742,500.16	35,846.77	4.83
Total 5 yr		62	9,676	2,183,144.26	127,911.15	5.86
1974	63-64	2	290	120,724.32	−20,285.69	−16.80
Projected 1974	65-71	7	930	401,290.00	−112,100.00	−27.93
1974 total		9	1,220	522,014.32	−132,385.69	−25-36
Total	1-71	71	10,896	2,705,158.58	−4,474.54	−.17
CATTLE COMPANY "C"						
1970	1-9	9	1,612	289,718.83	9,998.37	3.45
1971	10-20	11	1,876	381,262.67	11,116.12	2.92
1972	21-30	10	1,489	306,029.08	28,417.04	10.77
1973	31-40	10	1,380	400,764.49	10,732.23	2.68
Total 4 yr		40	6,357	1,377,775.07	60,263.76	4.37
1974	41	1	153	55,425.73	−2,644.97	−4.77
Projected 1974	42-46	5	869	287,687.45	−78,112.00	−27.15
1974 total		8	822	343,113.18	−80,756.97	−23.54
Total	1-46	46	7,179	1,720,888.25	−20,495.21	−1.19
CATTLE COMPANY "D"						
1966	1-5	5	420	74,965.94	−1,051.15	−1.40
1967	6-11	6	772	168,188.97	4,158.96	2.47
1968	12-16	5	700	182,106.30	14,059.26	7.72
1969	17-22	6	724	236,806.62	−7,692.92	−3.25
1970	23-28	6	830	227,913.84	−11,955.98	−5.25
1971	29-32	4	413	109,040.00	2,437.71	2.24
1972	33-34	2	234	70,319.59	5,192.25	7.38
1973	35-36	2	219	90,474.05	8,797.53	9.72
Total 8 yr		36	4,312	1,159,815.31	13,945.66	1.20
Projected 1974	37-38	2	222	130,321.23	−48,001.23	−36.83
Total	1-38	38	4,534	1,290,136.54	−34,055.57	−2.64
CATTLE COMPANY "E"						
1968	1-5	5	725	123,599.80	16,122.25	13.04
1969	6-20	15	1,978	340,044.62	43,228.43	12.71
1970	21-34	14	2,510	515,336.82	19,070.21	3.70
1971	35-55	21	3,766	731,433.75	1,669.10	.23
1972	56-70	15	2,548	575,350.04	−1,680.10	−.29
1973	71-76	6	881	263,941.17	68,387.00	25.91
Total 6 yr		76	12,408	2,549,706.80	146,796.89	5.76
1974	77-79	3	258	110,606.05	−14,695.08	−13.29
Projected 1974	80-85	6	830	514,164.84	−192,024.84	−37.35
1974 total		9	1,088	624,770.89	−206,719.92	−33.09
Total	1-85	85	13,496	3,174,477.09	−59,923.03	−1.89
CATTLE COMPANY "F"						
1969	1-2	2	325	65,118.53	2,544.09	3.91
1970	3-12	10	1,538	303,708.90	4,171.00	1.37
1971	13-20	8	1,380	241,278.93	−1,465.72	−.61
1972	21-24	4	761	162,518.41	44,566.10	27.42
1973	25-26	2	525	147,496.68	36,872.11	25.00
Total 5 yr		26	4,529	920,121.45	86,687.58	9.42
1974	27-28	2	455	193,373.20	−37,283.87	−19.28
Projected 1974	29-32	4	919	567,949.95	202,129.95	−35.59
1974 total		6	1,374	761,323.15	−239,413.82	−31.45
Total	1-32	32	5,903	1,681,444.60	−152,726,24	−9.08
CATTLE COMPANY "G"						
1972	1-4	4	523	122,078.57	14,517.58	11.89
1973	5-12	8	846	255,134.25	39,311.91	15.41
Total 2 yr		12	1,369	377,212.82	53,829.49	14.27
1974	13	1	96	42,135.37	−6,919.10	−16.42
Projected, 1974	14-19	6	804	493,497.10	−186,897.10	−37.87
1974 total		7	900	535,632.47	−193,816.20	−36.18
Total	1-19	19	2,269	912,845.29	−139,986.71	−15.34
CATTLE COMPANY "H"						
1973	1-9	9	1,161	337,493.75	7,225.40	2.14
1974	10-11	2	309	117,222.79	−4,703.41	−4.01
Projected, 1974	12-15	4	540	240,368.27	−63,870.00	−26.57
1974 total		6	849	357,591.06	−68,573.41	−19.18
Total	1-15	15	2,010	695,084.81	−61,348.01	−8.83
CATTLE COMPANY "I"						
1973	1-4	4	509	154,507.79	2,960.36	1.92
1974	5	1	120	44,083.39	−1,903.85	−4.32
Projected 1974	6-8	3	347	170,447.32	−42,294.00	−24.81
1974 total		4	467	214,530.71	−44,197.85	−20.60
Total	1-8	8	976	369,038.50	−41,237.49	−11.17
CATTLE COMPANY "J"						
1974	1-2	2	421	151,716.15	−23,029.41	−15.18
Projected 1974	3-5	3	378	193,138.08	−52,880.00	−27.38
1974 total		5	799	344,854.23	−75,909.41	−22.01
CATTLE COMPANY "K"						
Projected 1974	1-6	6	736	310,381.91	−80,956.00	−26.08
CATTLE COMPANY "L"						
Projected 1974	1-5	5	545	313,901.73	−80,457.00	−25.63

SUMMARY

PROFIT AND PERCENT RETURN ON INVESTMENT THROUGH 1973

Cattle company	Number cattle to 1973	Total investment to 1973	Total profit to 1973	Percent return to 1973
A	10,744	2,287,897.65	133,857.67	5.85
B	9,676	2,183,144.26	127,911.15	5.86
C	6,357	1,377,775.04	60,263.76	4.37
D	4,312	1,159,815.31	13,945.66	1.20
E	12,408	2,549,706.20	146,796.89	5.76
F	4,529	920,121.45	86,687.58	9.42
G	1,369	377,212.82	53,829.49	14.27
H	1,161	337,493.75	7,225.40	2.14
I	509	154,507.79	2,960.36	1.92
9 companies	51,065	11,347,674.30	633,477.96	5.58

SUMMARY—Continued

PROJECTED LOSS IN 1974

Cattle company	Number cattle to 1973	Total investment to 1973	Total profit to 1973	Percent return to 1973
A	1,232	519,511.17	−122,450.75	−23.57
B	1,220	522,014.32	−132,385.69	−25.36
C	822	343,113.18	−80,756.97	−23.54
D	222	130,321.23	−48,001.23	−36.83
E	1,088	624,770.89	−206,719.92	−33.09
F	1,374	761,323.15	−239,413.82	−31.45
G	900	535,632.47	−193,816.20	−36.18
H	849	357,591.06	−68,573.41	−19.18
I	467	214,530.71	−44,197.85	−20.60
J	799	344,854.23	−75,909.41	−22.01
K	736	310,381.91	−80,956.00	−26.08
L	545	313,901.73	−80,457.00	−25.63
12 companies	10,254	4,977,946.05	−1,373,638.25	−27.59

From these charts the following conclusions can be made:

1. Profits far from excessive: Profits in the past 5–6 years are far from excessive. Nine cattle companies showed a 5.58% return on required investment. ($663,477.96 profit on $11,347,674.30 investment). This is $12.40 per head on a $222.22 investment. On this tremendous exposure surely one should expect at least a 5.58% return.

2. Profits fall short of losses: Profits on cattle companies who have been in business 5–6 years will fall far short in covering losses at present production costs and present fat cattle prices. In years past these companies have had excellent credit rating at banks, however today, under present conditions they have no credit left at all.

3. Recent companies worse shape: Cattle companies who have only been started in the last year or two are in much worse shape. They have no backlog of profits to fall back on to cover present losses. In both of these cases (2 & 3) the people involved will lose their farms and homes. In some cases even this will not completely pay off the banks.

4. Out of business: These cattle companies will be out of business as soon as they sell their presently owned cattle. This is being evidenced in this area by the tremendous number of empty pens showing up in the local feedlots. Very few cattle are being placed on feed today. Of course this will cause a big shortage of beef in a very few months.

5. Related business hurt: All related businesses will be hurt badly. Feedlots themselves are already showing up for sale. Decreased demand for grain and other feedstuffs will be disasterous for farmers. Soon all agriculture related businesses will be hurt which in turn will hurt all industry and business in the nation.

6. IRS to become partner: Internal Revenue Service will become a partner in our losses. They have shared our profits, now they must share our losses. Not only will they have to return taxes paid in the last 3 years but will not get paid for a good portion for the next 5 years. Of course all the taxes they have been getting in years past will not be coming in. For the projected loss of 1974 in these cattle companies above, the return of taxes at 35% will be $480,773.37. It will reach into the billions for the entire industry.

7. Disaster area: We are definitely in a disaster area. Losses in the last quarter of 1973 in these companies were $119,340.55. To date in 1974 the losses are $135,746.14, making a total of $255,086.69 since last fall. Most of the cattle left on hand will be sold in the next 4 months. Thus, in 30 days from now a total loss will be seen of $564,559.69.

8. Things must change now: One must conclude that things have to change. This change must be immediate. Action must be taken now. Your help in changing these conditions is urgently requested.

Mr. MONTOYA. It is clear, Mr. President, that this crisis is hurting the cattleman, but who else is it going to hurt? I believe that it is going to hurt every consumer who purchases beef, unless we do something to alleviate this crisis. It is going to hurt consumers because if cattlemen continue to lose money at this rate, they are going to go out of business, as some of them already have, and the supply of beef is going to be drastically reduced.

Already we see signs that the future supply of prime, table-ready beef is in jeopardy. The Wall Street Journal reported recently that as of June 1 the number of cattle and calves on feed for slaughter was down 16 percent from a year earlier and that new animals placed on feed in May was down 40 percent from last year. These figures demonstrate very clearly that those in the cattle industry are no longer finding it economically worth their while to raise the corn- and milo-fed beef which is what we are most accustomed to purchasing in the supermarkets.

It is clear that this crisis is hurting the cattleman today and will hurt the consumer tomorrow, and it is, therefore, necessary for the Congress to take those actions which are needed to avert a general collapse in the cattle industry.

Several suggestions have been offered as to what should be done to help overcome this crisis and most of the solutions are aimed at getting rid of the glut of cattle which has developed and which stands in the way of returning the cattle industry to a profitable venture. The first solution which has been offered is to suspend all the imports for some period of time, perhaps 90 days, and then to return to the import quotas established by the Meat Import Act of 1964.

It has been well established that more meat is coming into this country from abroad than is allowed under the 1964 act. These figures are set out in a chart which I ask to be inserted at this point in the RECORD.

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

[Millions of pounds]

Year	Import quota	Trigger (110 percent)	Actual inputs	Difference, actual from trigger
1971	1,025.0	1,127.5	1,132.6	5.1
1972	1,042.4	1,146.6	1,355.5	208.9
1973	1,046.8	1,151.4	1,354.4	203.0
1974	1,027.9	1,130.7	1,575.0	444.3

Mr. MONTOYA. I believe that if we were to suspend imports temporarily and then allow only the import of the specified amount of beef, we would go a long way toward eliminating the glut.

Another suggestion which has been made, and which I endorse, is for larger purchases of beef by the Armed Services and by the Department of Agriculture for the school lunch and other programs. I think we can achieve two important goals in one stroke by asking the United States to purchase this extra beef.

I do not believe, however, that assistance of this sort will be sufficient in itself. One particular concern of mine is the financial structure which supports the cattle industry. I am concerned, because I have been told by bankers who service the cattle industry and production credit associations that Federal bank examiners are beginning to cast a wary eye on loans which have been made to feed lot operators and others. The problem, simply stated, is that in loans of this sort the cattle themselves are often pledged as collateral. If the value of the cattle has fallen, so has the value of the collateral. The process has reached such a state that the loans are beginning to enter the category where they are not secure and some bank examiners are beginning to feel that some of these loans may have to be foreclosed. If this were to happen, there would be a general collapse in the cattle industry. The feed lots would close, the suppliers of grain would be thrown into severe financial straits, those who raise calves to sell to the feed lot operators would find themselves without a market and the banks and lending institutions would be severely pressed. I think it would be absolutely foolhardy for the Congress to allow such a situation to develop and am, therefore, very gratified to note the quick response which Senators TALMADGE and MCGOVERN have made to the problem. I am referring, of course, to the hearings which will be held this afternoon on bills to provide emergency credit to the cattle industry.

At this point, Mr. President, I ask unanimous consent that I may be permitted to insert in the RECORD the testimony which will be given by some distinguished constituents of mine from New Mexico and other parts of the country. Mr. Ken White, a cattle feeder from Clovis; testimony of Mr. Don McCasland, cattle dealer from Clovis, N. Mex.; Mr. A. J. Kemp, executive vice president of the National Finance Credit Corp. of Texas; a livestock loan company with a loan volume of $40.5 million; and Mr. W. B. McAlister of the Clovis Production Credit Association, which has outstanding in loan value today $34,640,000, and which has made loans so far this year in the amount of $80 million.

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

U.S. SENATE AGRICULTURE AND FORESTRY SUBCOMMITTEE IN AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION

JUNE 15, 1974.

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE: My name is Ken White and I live in Clovis, New Mexico where I have resided for the past 25 years. I have been engaged in various phases of cattle production and marketing all my adult life. I hold membership in the American National Cattlemen's Association, Texas Cattle Feeders, the New Mexico Cattle Growers, and am on the Executive Committee of the National Livestock Dealers Association. I have operated as an order buyer, livestock auction operator and presently farming, ranching, and feeding cattle.

For the past several years I have kept a monthly inventory of my cattle operation using current value and weights to record each month my financial situation. On August 1, 1973, I owed the National Finance Credit Corporation of Fort Worth a total of $2,578,893.66 and had an equity position of $2,062,707.86. Today that equity is gone plus being in a deficit position on my loan. I am in the process of selling some land which I hope will pay this deficit.

In all my years in the cattle business I have never seen the demoralized situation which now exists. Cattlemen throughout the U.S. are now dismayed almost to the point of losing all hope. Prices of choice grade steers have dropped about $4.00 cwt. this past week which means choice steers are bringing about $34.00 cwt. Choice beef at the packer level is selling at $55.00 to $58.00 cwt. This means that every steer or heifer coming out of the feedlot today is losing about $200.00 per head. So you can easily see that after ten months of this situation there are few that have the heart or money to continue feeding. This past Thursday's U.S.D.A. Cattle on Feed Report shows a drop in placements of 40% from the same month a year ago and this trend will continue unless some immediate action is taken. This past Friday, June 14th, there came an announcement on the wire that the Administration continues to oppose any restriction on beef imports and also is opposed to any government loans because it might be "harmful to banks". This lack of understanding and seeming disinterest in the plight of the livestock industry will bring the same type of action which we have seen recently—plummeting markets and chaos in the market places. This will also be felt soon in all the prices of agricultural commodities and precipitate a recession of major proportions.

A change in the present psychology which permeates our industry must come immediately if we are to survive. Because of my years of experience in the business I do have hope and confidence in the future. The near term will be tought and credit must be provided if we are to continue as a viable industry. I know that we can eventually overcome the problems confronting us if we are allowed to continue to operate in this business of producing the finest and most nutritious of all foods.

I believe that the following recommendations for a credit guarantee will provide that which is needed:

1. Limited to Livestock Producers certified by his lending agency to have been bonafide producers, growers, or dealers in livestock within previous 18 month period.
2. Loan guaranteed for 5 year period.
3. Loan to be limited to each producer to the highest amount of his total investment within the past 18 month period. Investment would include borrowed capital as well as equity capital and the lender may rely upon the certificate of total investment by the producer.
4. Government to guarantee 90% of total loan which is approved by lending agency.

Respectfully yours,

KEN WHITE.

SUGGESTIONS CONCERNING LOAN GUARANTEE BILLS NOW BEFORE THE SENATE

The following statements are our recommendations and suggestions concerning the loan guarantee bills being considered at this hearing.

1. Limited to livestock producers certified by lending agency to have been bonafide producers, growers, or dealers in livestock within the previous 18-month period.
2. Loan guaranteed for 5-year period.
3. Loan to be limited to each producer to the highest amount of his total investment within the last 18-month period. Investment would include borrowed capital, as well as equity capital, and the lender may rely upon the certificate of total investment by the producer.
4. Government to guarantee 90 per cent of total loan which is approved by lending agency.

Comments on our suggestions:

FIRST SUGGESTION

We feel these guarantees should be limited only to those who have been in the business, as opposed to newcomers to the business. These producers, growers and dealers have been producing food for the consumers and through no fault of their own, have suffered abnormal losses such as have not been seen before in the history of the livestock business. Only one year ago we were asked to increase our production. Knowing this was a high risk business, we complied with the request from Washington. Consumers must be fed. Our country must not go hungry. However, must we sacrifice an entire industry to feed consumers? Must we cut off the hand that is feeding America? This is exactly what has been done. To bear this out—during the month of May, in the seven major cattle feeding states, cattle placed on feed were down 40% from May of 1973. This simply means that in six months time there will be 40% fewer fat cattle available for slaughter. This huge reduction stems from the fact that cattlemen were financially unable to buy cattle and remain in the business. However, this deficiency in cattle numbers on feed can be corrected if cattlemen can immediately receive proper financing to purchase cattle and place them on feed.

SECOND SUGGESTION

Average profits for the past five to six years have been between $10.00–$15.00 per head. Losses experienced today have ranged from $100.00 to $200.00 per head. In the past nine months cattlemen have lost as much as they had made in the previous ten years. We feel a minimum of five years is required to regain the proper financial stability needed for the livestock business to again stand on its own. Additional time will probably be needed, but for the present, we suggest the five year period. Given sufficient time, we feel this program will not cost our government anything. Actually, by keeping us in the business, our government can save billions of dollars they would have to refund in taxes to livestock producers who have experienced astronomical losses this year.

THIRD SUGGESTION

Due to increased prices, most livestock producers have reached their highest point of investment during the past 18 months. To continue to supply adequate amounts of food to consumers, livestock producers must continue to operate at their same level. They must not be cut back, or consumers could be hurt. Our suggestion will not discriminate against the small operator, or the large operator. Each size of operation is needed to insure the continued availability of food for consumers.

Both the borrowed capital and the producer's capital together make up the total investment. Both sources of capital have been required to maintain adequate production levels to meet consumer demand. Our suggestion would supply these two sources of capital.

As the lender has accurate records of only the borrowed capital, he must rely on the producer to provide him with the records of the producer's equity capital. Producers would be required to certify exact amounts of equity money he had in livestock. Our suggestion allows lender and producer to work together in figuring the total investment.

FOURTH SUGGESTION

Government would guarantee 90% of these loans as they do in similar loans through other agencies. The remaining 10% would be left with the financing institutions. These lenders will be the governing agencies through which all loans would be monitored. Their excellent record of supplying adequate capital to producers in the past qualifies them as the agents to approve these loans.

SUMMARY

As past years have eliminated the less efficient livestock producers, the ones who remain today stand as professionals in their field. The awesome responsibility of providing high quality food for consumers rests in their hands. This responsibility must be met head on, not only by the producers, but also by every official in Washington. Not only are consumers depending on these livestock producers for their food, but the farmers of America are depending on them to buy their commodities. By removing this segment of agriculture from the food assembly line, we can expect a complete breakdown of all agriculture. If agriculture fails, consumers will go hungry.

We ask for no subsidy. We ask for no handouts. We do ask for your assistance in helping us stay in the business of providing food for Americans in the future.

DON MCCASLAND,
Official Representative, Autonomous Feeders Committee, New Mexico Cattle Growers Association.

TESTIMONY TO THE SENATE AGRICULTURAL AND FORESTRY SUBCOMMITTEE ON AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION

Senator McGovern and members of the committee, gentlemen: My name is A. J. Kemp, Jr. I am executive vice president of the National Finance Credit Corporation of Texas, a livestock loan company with a loan volume of $40,500,000.00.

We are an agricultural credit corporation chartered according to the Federal Farm Board in 1930. We have capital and surplus of slightly over six million dollars, which according to the law is what we have to have to extend this amount of credit to livestock producers. We borrow the bulk of our money from the Federal Intermediate Credit Bank of Houston, and are subject to the regulations of the Farm Credit Board. We are examined by the Federal Intermediate Credit Bank of Houston, who in turn is examined by the Farm Credit Board.

My purpose in testifying to you gentlemen today is to re-affirm what you already know of the seriousness of the catastrophe that has hit the livestock industry in the last six months. I am sure that many others will and have testified to the losses that are being taken, but I want to give you some concrete figures in regard to some representative loans—both large and small. You can see from these figures how difficult it is going to be for the livestock people to continue to secure financing.

To begin with, I want to wholeheartedly endorse the program that has been presented to you by the American National Cattlemens Association, Texas Cattle Feeders Association and others, for a 90 per cent Government

guarantee over a five year period for bona fide cattle producers, feeders and dealers.

Our organization is owned by farmers and ranchers in Texas, and the chairman of our board, Jay Taylor of Amarillo, Tex., is a former president of the American National Cattlemens Association, Texas and Southwestern Cattle Raisers Association and also former chairman of the Livestock and Meat Board. Our president is Norman Moser of De Kalb, Tex. Mr. Moser is past president of the Texas and Southwestern Cattle Raisers Association, past chairman of the Livestock and Meat Board, and is present chairman of the Texas Animal Health Commission.

One hundred per cent of our borrowers are bona fide livestock people living in the State of Texas, eastern New Mexico, southeastern Oklahoma, and one in Louisiana. We feel that perhaps the people we are financing are not only a cross section, but among the very best operators in the Southwest today. However, I have with me some comparative figures of six representative loans to show you what has happened to these borrowers since November 1, 1973. I have eliminated names for obvious reasons, their records are on file in our office and I will be glad to have them examined by any representative of this committee:

Date	Number of head	Value	Total loan	Percent of loan	Loan per head
No. 1:					
Nov. 1, 1973	3,608	$1,551,260	$984,374.62	63	$270.87
June 11, 1974	796	265,985	303,648.39	114	380.94
No. 2:					
Nov. 1, 1973	2,244	796,005	484,813.38	61	215.38
June 11, 1974	1,067	307,320	285,192.12	93	267.86
No. 3:					
Nov. 1, 1973	622	135,135	108,962.04	81	175.98
June 11, 1974	552	105,965	142,129.49	134	257.23
No. 4:					
Nov. 1, 1973	452	$143,485	$141,560.79	99	$314.27
June 11, 1974	112	26,695	39,440.52	148	352.76
No. 5:					
Nov. 1, 1973	8,147	2,979,520	1,839,808.22	62	226.75
June 11, 1974	5,455	1,761,525	1,933,226.02	110	355.21
No. 6:					
Nov. 1, 1973	799	275,655	231,339.45	84	289.80
June 11, 1974	0	0	46,387.37	(1)	(1)

[1] No cattle left.

Note: Number 6 is a loan of $231,339.45 with a value of $275,655, an 84-percent loan and with a loan per head of $289. You can see Nov. 1, he lost his equity of $44,315 plus the $46,287 that he owes.

You will notice that since November most of these loans have been reduced considerably because these borrowers have lost the desire and the equity to continue their operations at the same pace as they have in the past.

I feel that the Federal Government can keep these people in business with very little risk to the Government, if the program is administered properly. The lenders involved in the guaranteed loans must have the capital requirements that are necessary to handle such loans. It is my belief that the Federal Intermediate Credit Banks and the Federal Reserve Banks have the expertise to administer the program.

I feel that congressional action should be taken immediately in regard to emergency guaranty of loans to the livestock industry.

I feel that the President must be made aware of the seriousness of the situation and that import quotas on beef must be reinstated immediately. I feel that every effort should be made to open our export sales to Canada. I also feel that the Federal Government must start immediately to purchase a large amount of boning beef to be canned and put in storage for the future needs of our country.

The Government loan and the canning program were the only things that saved the livestock industry in the 30's and because of deterioration of confidence in the industry, we are now in the midst of a panic situation that must have immediate attention.

The cattle on feed report for the seven States showed sixteen percent less fat cattle on feed and forty percent less placements in the feed lots during the month of May. The American public will be feeling the shortage of fed beef in the very near future, while we have an abundance of non-fed beef, and by the time the fed cattle shortage reaches the consumer, the largest percentage of the bona fide livestock procedures and feeders in the United States will be broke.

My name is W. B. McAlister. I am President of the Clovis Production Credit Association, Clovis, New Mexico. Outstanding loan balance on 460 loans of the Association as of June 12th, was $34,640,315.45. So far this fiscal year we have loaned over 80 million dollars.

I have been engaged in agriculture most of my life and for the past 12 years in the financing of agriculture. For the first time in my life I feel the cattle industry, and for that matter the entire agricultural industry, is facing disaster.

In 1960, when the cattle feeding industry started in our area, corn was 1.00 per bu. and milo was 1.30 per cwt. This spring, corn was 3.38 per bu. and milo 5.80 per cwt. This industry has played a vital role in developing the agricultural industry of the area. Farmers have had a good market for their crops and the cattle men have had a good market for their cattle, and the entire economy of the area has been boosted. Those in the cattle feeding industry have had their ups and downs but have gotten along fine and made a reasonable return on their investment until the summer of 1973, at which time the administration froze cattle prices. At the same time, the administration established a good export market for all kinds of grain, with the resulting price increase of grain, prices which many farmers had dreamed of but had never before received, became a reality. I think everyone was happy about this increase in price of grain and certainly we would like to see it hold, however this is going to be impossible with a destroyed livestock feeding industry, because at the best our export markets are uncertain, the result is going to be no market for our grain even at the cost of production.

Price controls on beef have been tried 4 times in the past 28 years, and not once has this mix of politics and economics worked to the benefit of either the consumer or the cattle industry.

The cattle feeding industry is in a wreck and headed for disaster, unless the market situation turns around quickly. Cattle feeders have suffered unprecedented losses in the last nine (9) months, because of:

Government interference in the form of a discriminatory price freeze last July;

The energy crisis, which caused a "recession" psychology, resulting in consumers buying less beef;

The truckers strike;

Increased feed costs.

Let's talk about those unprecedented losses we spoke of:

One of my neighbors who normally feeds between 6,000 and 7,000 head per year, when he renewed his loan in August had $2,250,000 equity in his loan, today all this equity is gone, he is sweating out a reversal in the market, hoping that when the balance of the cattle are sold he will have something to start over with. It will take a quick reversal of the market to make this possible, else this man will lose in 10 months all his earning in 14 years of feeding cattle. Another feeder of my area, from October 18 to March 1 has marketed 9,729 head of steers for a loss of $853,738. Losses run from $12.95 per head on some steers sold January 28, 1974, to $259.46 per head on some cattle sold March 1, 1974. Since then losses have continued to mount.

One of our members has a good ranch with a top herd of mother cows, he purchases steers to run on the ranch and then into the feedlot for finishing. This has proved a profitable program in the past. This past year when the loan was renewed he owned 3,415 head of cattle with a value of over 1 million dollars, he had a $291,000 equity in the loan. On the 8th we figured his collateral position, he had lost all the equity in the loan plus another $230,000 for a loss in the loan for the year of $521,658.10. This man has not speculated with fat cattle as he has never refused a bid on a pen of steers since the ill advised price freeze was first announced.

Another member with a good ranch, mother cows and the same type of operation, at renewal on October 2, 1973, owned 3,277 head of cattle with a value of $1,116,234. He had an equity in his loan of $323,758. Since that date he has lost all his equitay plus $297,205.55, or a total loss in less than 9 months of $620,963.55.

In 1970, we had three good young farmers and cattle men start a feeding operation. This had been profitable for them. May 17, 1973, when we renewed their loan, they owned 2,934 cattle and had a margin in these cattle of over $200,000. Since then they have lost this margin and another $158,000 for a total loss of almost $360,000 in one year.

All losses so far have not been just feeding operations, our members who purchased steers to run on wheat pasture last fall have had varied experiences depending on the amount of wheat pasture and when they sold these cattle, and incidentally some have not been able to get them sold. But of those who did, some broke even, others lost up to $100 per head plus their feed, interest and wheat pasture.

We are fearful for our cow-calf operators who will not have a pay day until this fall, steer operators are in trouble, not only from declining cattle markets but they are still unless the trend is reversed. We know our waiting for that first rain this year. One of our better steer operators in February when we set his loan up had all his leases and land payments for the year paid and had $270,000 equity in his steers, at todays markets, if there is one, he has lost all this equity plus another $215,000 for a loss since February of $485,000.

No segment of our economy is going to escape the consequences of such drastic losses. These losses being suffered by our cattle feeders are not the result of poor management. They are the result of government intervention. Since the government is responsible for these losses, the government is going to have to take some action immediately, they are six months too late right now, before cattle feeders are bankrupt, the cattle feeding industry set back years, and the lending institutions that have been financing this great industry are shaken.

Not only is the cattle feeding industry in jeopardy but so is the future meat and food supply of the nation. Grain farmers are dependent on the cattle feeders and the con-

sumers are dependent upon both for their future food supply. Consumers can be assured there are ample supplies of meat and other food products available now and in the months to come, but they must realize they must pay a fair price.

Since the federal government is responsible for bringing the $20 billion beef cattle industry to the brink of bankruptcy I think it is only fair to ask the government to do a few things to save this industry which produces the No. 1 nutritious food for the American family. Beef.

I have a few suggestions the government could follow to not only help the producer but in the long run the consumer and the entire economy of this nation.

1. The President should immediately reinstate the quota as provided in the Import Act of 1964. Other countries are using this to protect their producers, is it asking too much for our country to do the same. We know that we must export, there must be two way trade, if agriculture is to prosper, but the reestablishment of quotas on imports should not upset this two way trade.

2. We believe the State Department can open up once again some export markets for beef and should pursue this diligently.

3. The Department of Defense of the United States should modify their specifications for beef purchases and move forward their purchase dates, in order to take advantage of current low prices; and purchase domestic beef for all our overseas bases.

4. The meat grading branch of the U.S. Department of Agriculture should change present grading standards, taking into consideration that the upper end of the present U.S. good grade is the housewife's choice because it does not have the excess fat.

5. Since government interference in the form of a discriminatory price freeze last July is responsible for the feeding industry being on the brink of bankruptcy it is only fair that the government take some steps to insure that these men stay in business for the good of the consumers as well as the entire agriculture economy, and as for that matter the economy of the entire United States. No part of the economy can escape the effects of the depression like we have never seen before unless something is done immediatley. The government can pump $10 billion dollars into the housing industry to reduce the interest charged on home loans and 95% of the people in the United States think this is fine. We do not believe it is asking too much for the government to guarantee to financial institutions that have been financing the cattle industry that if they will continue financing them they will guarantee 90% of the loans. I want to make it clear that the Association I represent feels that we can collect all the livestock loans we have in full—but to collect some of these loans will require the liquidation of some of our member's land, if this is done, then this man is out of business. My Board of Directors does not want this to happen, they want some way worked out so that the borrower can stay in business, not only for his benefit but for the benefit of our grain producers, the consumers and the business man. There is no more important business in the United States than the agriculture industry, every effort should be made to save it from disaster.

You will notice that the recomendations which I have suggested will cost the government nothing. I am confident that if the government will guarantee these loans to financial institutions that in the long run it will cost them nothing, but it will avert a real depression.

If the above listed suggestions had been done six months ago we would not be in this wreck today. Something must be done now. I hope, sir, that this committee and the Congress will act favorably on this matter and save this vital industry for the benefit of all Americans.

Mr. MONTOYA. Mr. President, in closing I simply want to repeat what I said earlier, the cattle industry has been an independent industry which has not had to rely on Government assistance up until this point. I hope we can provide them the kind of assistance they need on a temporary basis to get back on their feet.

I might say that we are not pleading only for the cattlemen and the feeders in this country; we are also pleading to stabilize this market so that it will inure to the benefit of the consumers of America, because if the present conditions continue, Mr. President, then the cattle feeders are going to go out of business, and there is going to be a scarcity of beef on the market, and when there is a scarcity of beef, the prices will go up to enormous heights.

That is what we are trying to avoid. We are trying to bring sanity out of chaos; we are trying to bring order out of disorder.

If we approach this matter on a bipartisan basis, as we have started this morning, I am sure that we in cooperation with the executive department will bring some kind of meaningful solution to this very bad situation that is facing not only the industry but the consumers of this country.

I thank my distinguished friend from West Virginia for yielding me part of his time.

Mr. ROBERT C. BYRD. My friend is welcome.

Mr. President, without prejudice to the Senators who precede his order, I ask unanimous consent that the Senator from Texas (Mr. BENTSEN) be recognized.

The PRESIDING OFFICER. Without objection, the Senator from Texas is recognized.

Mr. BENTSEN. I thank the distinguished Senator from West Virginia.

Mr. President, any time we see 19 U.S. Senators line up to make speeches on Monday morning on the same subject, we know we have deep problem facing the Nation.

I congratulate my colleagues on their interest in this subject, the question of what is happening to the beef industry of this country.

Texas is the largest cattle-feeding State in the United States and, in turn, is the one that is most adversely affected in total numbers.

We have seen chaos develop in the cattle industry, and a great deal of it is not the fault of the cattle industry. We have seen imposed on them price ceilings that did not work, and that was followed by a truck strike, which further added to the problem. Today we see a great increase in surplus and overweight cattle.

We see a great many cattle feeders going out of business; a lot of them have already gone out of business and are in bankruptcy, and we see others on the very verge of it.

What is the result of this?

If we cut out this part of the pipeline and just market grass-fed cattle, we are not going to serve the market of the United States. But by fall, we are going to see a very serious problem in this country unless we take some immediate steps to try to assist in that regard.

Since October 31, 1973, the cattle industry of this country has already suffered a $1.5 billion loss, and for an industry of that size that is almost an insurmountable loss. It means they cannot stay in the business. We have seen the number of cattle on the feedlot cut by 40 percent since the same period of time last year, and that is what the distinguished Senator from New Mexico was referring to.

I would say to the Senator from New Mexico I cannot remember in any time when we have seen such a drastic cut in the number of cattle that are being held for feeding purposes in the history of this country. Does the Senator recall any comparable period of time?

Mr. MONTOYA. I have made a study of this situation and I cannot recall. There has been a 40-percent reduction. That means that we will have 40 percent less cattle than the average getting fattened and ready for market 6 months hence because it takes 6 months to fatten a beef and get it ready for market.

So the pinch is going to start showing within the next 3 or 4 months.

Mr. BENTSEN. The other problem is that we have seen a dramatic drop in price to the cattle raiser. That has been cut about 32 percent. But if you go down to the retail market, which is what the housewife is confronted with, one of the reasons she is not buying as much beef as she has in the past is that there we have seen only a 12-percent drop in the market price; and that lady pushing a grocery cart up to that meat counter does not see a drop corresponding to that which has taken place in the cattle market.

So I am calling again on the retail markets and on the cattle processors to accept a reasonable profit margin, to pass on some of this lowering of costs to the consumer. That is the best way to use up some of this surplus at the present time.

I am calling on the President of the United States to reduce beef imports. Every major beef-importing nation in the world today has closed its borders.

What does that mean to the United States? That means that this will be the dumping ground for all that excess beef at this time.

We will see a little hiatus there in prices where we will get some break to the consumer temporarily, but we will pay for that many times over as they wreck the domestic cattle industry.

That is why it is important, in order to stabilize these prices so we will have a continuance of a sound domestic cattle industry that can assure reasonable prices to the consumer, that we take these steps at the present time.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point an earlier statement I made on March 5, 1974; a letter dated May 14, 1974, which I addressed to the President of the United States; a resolution by the board of directors of the Texas Cattle Feeders Association dated May 9, 1974; and a table showing the estimated loss on fed cattle sold from October 1, 1973, to June 1, 1974.

There being no objection, the items

were ordered to be printed in the RECORD, as follows:

[From the CONGRESIONAL RECORD, Mar. 5, 1974]

THE BEEF SITUATION

(By Senator LLOYD BENTSEN)

Mr. President, the cattle feeders of this country are in the midst of an economic depression that deserves the attention of every citizen in America. Their plight should concern all of us, because, first, the source of one of our favorite food items—beef—is in jeopardy; and second, this is another example of how needless Government interference can cripple a great industry.

Let me explain that cattle feeders are those cattlemen who take yearling animals, fatten them with grain and finish them into the choice animals. These finished animals, in turn, yield the choice beef that we all desire. Last year, cattle feeders in the United States marketed over 25 million animals—enough to supply every man, woman, and child in America with 110 pounds of beef each. That is an 80-percent increase in 20 years.

Texas, the No. 1 cattle feeding State in the Nation, fed and marketed 4,412,000 animals last year. Texas became No. 1 in cattle feeding, because of: First, the abundance of feeder cattle produced in the Lone Star State; second, the availability of grain grown in the State; third, our unique climate that is conducive to cattle feeding; and fourth, the ingenuity of our cattlemen in putting together the capital and systems that permit us to produce beef more economically than other areas.

But many of these entrepreneuring cattlemen—in Texas and in other cattle feeding States—are now on the verge of bankruptcy And if they are allowed to go broke, it not only will affect the Nation's beef supply, it will also have a depressing effect on all of our grain farmers. on all our farm and ranch cattle producers, and on the entire economy.

In the last year our cattle feeders have seen their feed costs more than double; slaughter, capital, and transportation increase and the price he receives drop by more than 20 percent. In any industry, this would clearly mean bankruptcy for a great many people.

These cattle feeders are also victims of Government price controls, which the administration so unwisely enforced on the beef industry last June on a selective basis. At that time, against the advice of cattle industry leaders and economists across the country, the Cost of Living Council discriminated against the beef industry by singling it out to leave under price controls. The result was that fat cattle stacked up in the feedlots; then when the freeze finally was lifted in September, they glutted the market, causing prices to drop 30 percent in 6 weeks.

During the ensuing 2 months, cattle feeders suffered losses of $100 to $150 on every animal marketed. As you might expect, such losses forced many feeders out of the business. And I predicted at the time that it would take months for the cattle industry to recover from the unjust Government interference.

The remaining cattle feeders were about to get back in the black in January, then came the trucker's strike, which lasted for 2 weeks in early February. Again, fat cattle stacked up in the feedlots. And now that the trucker's strike is over, cattle prices are again depressed, having dropped 20 percent in the last month.

And again, cattle feeders are losing big money—this time about $100 per head on each fat animal marketed. These losses have been going on for 3 weeks and, on top of the earlier losses, are bankrupting many feeders who 6 months ago were considered very substantial and successful businessmen. Businessmen who provided the risk capital, the management, and the work to assure America a continuing supply of nutritious beef. Furthermore, unless something is done immediately to relieve the situation, the losses promise to continue for several weeks.

Unfortunately, these lower prices have not been passed on to consumers. Retail prices have not dropped accordingly. I am strongly concerned that the reduced prices for beef have not been reflected in the supermarket. This is unfair to the consumer and the producer and is causing a buildup of cattle in the feedlots. This is another disruption of the system which must be corrected.

So I call on the chain stores to be equitable with the cattle feeding industry during this crisis—and to help consumers who are wanting more beef—by featuring more beef, by offering more specials and by sharing their increased margins with both feeders and consumers. Only in this way will we be able to move more beef. And only by moving more beef at this time will we be able to assure adequate beef supplies later.

During the month of February, replacements of cattle in feedlots were down about 30 percent. If the cattle do not go into feedlots, they cannot come out 6 months later as scheduled. If these reduced placements continue into March, it means that we will have a reduced supply in late summer. And reduced supplies mean higher prices for consumers.

Also, I call on the Nation's meat packers to do all they can to move more beef. By accepting more modest profits—packer profits were at record high levels during the past quarter—they can help everyone else in the industry stay in business and help consumers by providing beef at prices they can afford.

In addition, today, I am calling on the U.S. Department of Agriculture to step up purchases of beef for school lunch programs, for the Armed Forces, and for institutions. There now is an oversupply of heavy cattle in feedyards that will produce yield grade 4 and 5 carcasses, which are considered by the trade to be a bit wasty. These animals are available today for less than 38 cents per pound—bargain sale prices, which are less than fat cattle were bringing a year ago. I repeat, fat cattle are bringing less today than they were a year ago.

We now have more cattle in the United States than at any time in history. And I see no reason why consumers should not have the benefits of this record production, while at the same time permit all segments of the cattle industry to make a fair profit. It can be done; it must be done.

COMMITTEE ON PUBLIC WORKS,
May 14, 1974.

Hon. RICHARD M. NIXON,
President of the United States,
The White House,
Washington, D.C.

MY DEAR MR. PRESIDENT: I commend to your attention the attached resolution of the Texas Cattle Feeders Association.

The Cattle Feeders of this country are in the midst of an economic depression that deserves the attention of every citizen in America. Their plight should concern us all, because, first, the source of one of our favorite food items—beef—is in jeopardy; and second, because their current hardship was in part caused by the action of the Government to single out the industry for price controls last year.

Mr. President, as the resolution points out, you have the authority to greatly assist this industry. I request that you exercise that authority.

Sincerely,

LLOYD BENTSEN.

RESOLUTION

(By Board of Directors, Texas Cattle Feeders Association, May 9, 1974)

Whereas, the Meat Import Act of 1964 gives the President of the United States authority to limit meat imports, after giving special consideration to "the economic well-being of the domestic livestock industry;" and

Whereas, the President has seen fit to lift all restrictions in an apparent attempt to increase meat supplies and, thus, reduce retail prices to consumers; and

Whereas, beef cattle numbers have increased significantly in recent years, to the extent that current supplies are more than adequate to satisfy domestic demand; and

Whereas, Japan, Canada and the Common Market countries of Europe have either placed an embargo on beef imports or raised tariffs, leaving the United States as the only market in the world open to unlimited imports of fresh, frozen and chilled beef; and

Whereas, U.S. cattle feeders have suffered disastrous losses during the past eight months—losses ranging from $100 to $200 per animal or over $1 billion in total—threatening the future of the industry and jeopardizing beef supplies in the years to come:

Now, therefore, be it resolved:

1. That the Texas Cattle Feeders Association ask the President to reimpose restraint levels on fresh, chilled and frozen beef, in conformity with the Meat Import Act of 1964, to prevent the dumping of foreign beef into the U.S., thus helping to assure future domestic supplies for consumers; and

2. That members of this Association be urged to wire or write their congressmen, asking for support of this action; and

3. That the American National Cattlemen's Association and other beef associations also be asked to join in efforts to obtain beef import restraints.

ESTIMATED LOSS ON FED CATTLE SOLD, OCT. 1, 1973, TO JUNE 1, 1974

Category	Number sold in United States	Estimated average loss [1] per head	Total
Fat steers and heifers	14,850,000	$100	$1,485,000,000

ESTIMATED INVENTORY LOSS, ALL BEEF CATTLE, OCT. 1, 1973, TO JUNE 1, 1974

Category	Number in United States [2]	Estimated development per head	Total
Breeding cows	42,874,000	$150	$6,431,100,000
Replacement heifers	8,214,000	150	1,232,100,000
Breeding bulls	2,642,000	200	528,400,000
Stocker steers and heifers	58,585,000	125	7,323,125,000
Total	112,315,000		15,514,725,000

[1] Actual average losses in surveyed Texas feedyards varied from $70 to $236 per head.
[2] Numbers from USDA cattle inventory report, Jan. 1, 1974

Mr. MONTOYA. Mr. President, will the Senator yield at this point?

Mr. BENTSEN. I am delighted to yield.

Mr. MONTOYA. I do not think this point has been made by those who have discussed the subject of imports, but we have a law which prohibits dumping, which means that no exporter into the United States can dump his product if it is going to compete with the price structure of that same product here in the United States.

So the consumers have been fooled if they believe that because this beef is coming from Australia and New Zealand they are going to get cheaper beef in this country.

That is not so, because here is a comparison of the price between the im-

ported beef, which is boned beef used for lunchmeats and hamburger, and so forth:

The last week in June the price of this beef was 67 cents and the domestic price of similar beef produced by our producers was 65 cents; so there is no measurable difference to justify opening the doors for importation of this foreign beef into this country.

Mr. BENTSEN. I thank the distinguished Senator from New Mexico.

Mr. President, my colleagues have expressed well the current economic depression that is plaguing the beef industry, and I appreciate very much their studied interest in a critical problem which is important to my State. Texas is the No. 1 cattle feeding State in the Nation and correspondingly, we have been perhaps hardest hit by the beef market depression.

My colleagues have pointed out how economic chaos for the cattle industry was spawned by last year's ill-conceived beef price ceiling; how the situation was nurtured by a 2-week truck strike and is now being prolonged by an excessive build-up of overweight cattle. I would like to expand this explanation of the situation by entering at this point in the RECORD a chart which shows the enormous losses that both the fed cattle industry and the entire beef industry are facing. Since October 1, 1973, losses to the fed cattle industry alone are estimated to approach $1.5 billion, while total inventory losses to the entire beef industry are estimated at $15.5 billion. These are incredible losses over such a short time for this industry.

Mr. President, cattle feeders are disillusioned and are going out of business. This fact is clearly represented by the fact that the number of cattle being placed on feed today is 40 percent below last year. This is the largest drop in recent memory and it clearly indicates a shortage of choice fed cattle this fall.

A shortage this fall means even higher prices to consumers and the consumer price portion of this situation is difficult to understand. Consumers are not reaping the benefit of today's lower cattle prices and are being faced with ever increasing prices for later this year. Average retail prices have come down only 12 percent since early February, while live cattle prices have dropped 32 percent. This situation is unacceptable and I renew my call to the meat packers and retailers to accept more modest profits and pass on to consumers the current economical prices of meat.

In addition, I renew my call to the President to limit beef imports into this country. While I normally like to avoid restrictions on trade, the situation of all other major beef importing countries closing their borders to beef imports threatens to make this country a dumping ground for imported beef, and the President must use his authority to prevent this from happening. When Congress gave the President the authority to limit meat imports, it did so with the instructions that the authority was for the purpose of protecting the domestic meat industries. Certainly today's situation demands the proper use of that authority.

I yield back the remainder of my time to the distinguished Senator from West Virginia.

Mr. ROBERT C. BYRD. I thank my distinguished friend.

Mr. President, I ask unanimous consent that the Senator from Kansas (Mr. PEARSON) be recognized in lieu of the Senator from Iowa (Mr. HUGHES) and that the time used by Mr. PEARSON be charged against the order of Mr. HUGHES.

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

Mr. PEARSON. Mr. President, I thank the acting majority leader.

Mr. ABOUREZK. Mr. President, will the Senator from Kansas yield?

Mr. PEARSON. I yield.

Mr. ABOUREZK. I ask unanimous consent that Jess Wilka, of my staff, be entitled to the privileges of the floor during this discussion.

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

Mr. PEARSON. Mr. President, I want to associate myself with the statements made by the distinguished Senator from New Mexico and the Senator from Texas as well as those other speakers who have addressed themselves to this very serious question today.

I have a statement, Mr. President, that deals, I am sure in a repetitious way, with the livestock situation as it exists today, why these conditions do exist, and their impact upon the consumer and what can be done at this time.

Let me say, Mr. President, that among those things that can be done now are the following:

First, it is imperative, I believe, that the President lift his suspension of the meat import quota law.

Second, it seems to me wherever practical the Federal Government should increase its purchase of meat to improve the quality of the school lunch program.

Third, Mr. President, I think it absolutely essential that our retail stores promptly bring their prices in line with wholesale prices of meat.

Last, it seems very likely that some type of special emergency credit program will be necessary.

Mr. President, the American livestock industry is in deep economic trouble. Both cattle and hog feeders are suffering such enormous economic losses that there is general expectation that a number of feeders will be forced into bankruptcy in the months ahead. Livestock feeding has always been a high risk business. There have always been ups and downs in the markets, periods of loss following periods of profit. However, the current situation is extraordinarily serious. The loss period has been much longer than in the past and continued losses can hardly be avoided.

Cattle feeders began to suffer losses last September. The average loss on each animal coming out of the feedlot in September was around $45. By December that had increased to around $135 and in every month of 1974 losses have ranged on a national average from $120 to $140 per head.

Such losses over such a long period of time are obviously disastrous and if continued for any length of time will simply destroy many cattle feeders. All told the losses for the cattle feeding industry now amount to approximately $1.5 billion over the past 9 months.

Similar losses are being experienced by hog producers. We have seen prices of finished hogs fall by 45 percent to 50 percent over the past 5 months.

Because of the high loss situation in the cattle feeding lots, fewer and fewer young feeder cattle are being purchased from farmers and ranchers. This means prices for young feeder cattle have declined sharply. Likewise the prices for slaughter cows have declined significantly.

As a result the cattle raiser as well as the cattle feeder is beginning to suffer adverse economic consequences. It has been estimated that many cow/calf operators will have a gross income in 1974 of approximately 50 percent less than in 1973. While their gross income is going down, their total costs will be up during 1974 by as much as 20 percent.

The down turn in the livestock economy is, of course, beginning to ripple throughout the rural economy. Rural town businessmen who service the livestock industry will inevitably be faced with a decline in sales. Rural bankers may face extremely serious conditions if significant numbers of cattlemen and hog producers default on their loans.

Also, as fewer and fewer cattle and hogs are placed in feeding lots the demand for grain will decline and this will mean lower prices for the grain-producing sector of agriculture.

Mr. President, the present situation if continued, will generate a longer term problem. Many feedlot operators will be bankrupted. Others will simply quit the business in an effort to limit their losses. In the aftermath of these losses it is likely that today's feeders will be replaced by large, vertically integrated corporations. These will be financed by money from outside the traditional agricultural community. Many will be dominated by large retail grocery chains which may well, in the next few years, come into a position where they control the production of fat cattle and hogs from the feedlot to the supermarket meat counter. We may well lose a very important part of small business enterprise in this country and wind up with a meat industry largely dominated by a few large firms.

WHY?

Mr. President, what are some of the reasons for the present condition of the livestock industry? First of all, the cost of production has risen dramatically. It is estimated that the cost for a pound of gain for feedlot cattle was around 27 cents in 1972. Today the cost per pound of gain ranges from 50 cents to 55 cents. With finished cattle selling in the area of 35 cents to 36 cents per pound, it is obvious why cattle feeders are losing so much at this time.

At the very time that costs have increased dramatically, prices of finished cattle have declined sharply. Since last fall there has been a price decline of at least 25 percent and finished cattle are now selling for around $35.00 per hundredweight.

The price decline set in after the removal of the price freeze last September. You will recall, Mr. President, that the administration continued price controls

on meat during the summer months of 1973 after the freeze had been lifted from all other products. This encouraged substantial withholding of meat from the market and then after the freeze was lifted, large supplies began to come out of the feedlots and prices started their downward trend. Later the truckers' strike substantially disrupted the flow of meat to the market and again added to the downward pressure on prices.

Thus, since last fall, we have had an excessive amount of meat available. This is not so much the result of overproduction on the part of the livestock industry but, in good measure, is the result of the softening of demand for meat. With the sharp increase in the overall cost of living, housewives have necessarily had to curtail some of their purchases. It is increasingly apparent that many families in an effort to counter the ravages of inflation, have curtailed their purchases of meat.

Mr. President, it is also clear it seems to me that the increased flow of foreign meat into this country has had a depressing effect on domestic prices. This is one of the reasons why it is necessary for meat import quotas to be reimposed and I want to say more about that in a moment.

THE IMPACT ON THE CONSUMER

Mr. President, there are those who would point to low cattle and hog prices as a bonanza for the consumer. Actually, of course, the low prices the farmers, ranchers, and cattle and hog feeders are now receiving has not yet reached the consumer. Supermarkets simply have not brought their prices down in line with the wholesale prices. The margin between what the producer gets and the consumer pays is still considerable and I want to say more about that in a moment.

Also, I think it is very important that we make the point that the present disaster for the cattle and hog industry will inevitably have disastrous results for the consumer at a later date. If we continue to empty our feedlots and deplete our cow herds over a period of time and, by the way, the cow and calf slaughter is already beginning to increase sharply, we will wind up in a year or so with a very substantial meat shortage. This will inevitably mean sharply higher prices and if, in the meantime, cattle and hog feeding operations are taken over by large integrated, semimonopolistic firms, the element of competition that now exists in the meat producing industry will be eliminated. It is conceivable that a relatively small number of firms can control the feeding of cattle and hogs to such an extent that they can set prices almost at will. This, of course, can only mean trouble to the consumer.

So, indeed, it is actually the case that long-range interests of the consumer lie in a present stabilization of economic conditions in the livestock industry. That is a fact and not a gratuitous offering.

WHAT IS TO BE DONE?

The livestock producers and feeders know there is no quick and easy solution to this problem but, several courses of action come immediately to mind.

First, it is imperative, I believe, that the President lift his suspension of the meat import quota law. A large increase in foreign meat imports at this time simply compounds the already growing disaster. This can and should be prevented. The basic law to accomplish it is there and all that is needed is for the President to act on the authority this law gives him to reimpose the import schedule that he set aside in 1972 and which he has set aside again in 1973 and 1974. Mr. President, I want to say more on this subject of import meat quotas later.

Second, it seems to me that wherever practical the Federal Government should increase its purchase of meat to improve the quality of our school lunch program. Also, any additional purchases of the Department of Defense can make would be helpful. I recognize that there are limits on storage capacity, but any increase in Government purchases that can be made at this time would be of great help.

Third, it is absolutely essential that our retail stores promptly bring their prices in line with wholesale prices of meat. The spread between wholesale and retail prices today is around 40 cents. This is substantially higher than in the past. We recognize that handling and processing costs have increased but not that much.

The average retail price of beef is somewhere in the area of $1.35 per pound. Under normal price spreads that have existed in the past, a retail price at that level would be accompanied by a fat cattle price of $45 to $46 per hundredweight. In actual fact, of course, fat cattle prices are around $35 to $36 per hundredweight. Continuation of present margins means excessive profits to retailers and, also, it discourages additional purchases of beef by the consumer, thus compounding the problem that cattle producers face in clearing the overloaded market that now prevails.

Fourth, it seems very likely that some type of special emergency credit program will be necessary. Many livestock feeders must have additional credit to get through this high-loss period and will need credit at reasonable rates of interest. Therefore, I am encouraged that both the Senate and House Agriculture Committees are conducting hearings on this and anticipate that they will move forward with dispatch.

MEAT IMPORT QUOTAS

Mr. President, at a time when every animal coming out of cattle or hog feedlots is incurring a very substantial loss to its owner and, at a time when the price of slaughter cows and other nonfed livestock is declining sharply, and, at a time when many cattle and hog feeders face bankruptcy, it simply makes no economic sense to allow foreign countries to substantially increase their shipments of meat into this country. Yet, this is precisely what is happening.

Given the present plight of the domestic livestock operator and given the fact that that most other major meat importing countries have placed an embargo on foreign shipments, thus increasing the very real possibility of substantial dumping of foreign beef here on the U.S. domestic market during the last half of this year, it is essential, I believe, that the President move immediately to lift his suspension of quotas under the Meat Import Act.

Mr. President, in the early 1960's the American livestock industry suffered a severe economic slump. This was due in part to a substantial increase in the volume of foreign beef coming into the country. In recognition of this problem, the Congress adopted the Meat Import Act of 1964. That act did not seek to eliminate foreign imports, but simply to provide a rational mechanism for controlling imports and to prevent excessive foreign supplies from unduly depressing the domestic market. Taking an average of foreign meat imports during 1959 to 1963, the 1964 act established basic import quotas of 725,400,000 pounds per year and this quota was to be increased each year as U.S. domestic production increased.

At the beginning of each year and on a quarterly basis during the rest of the year, the Secretary of Agriculture was charged with the responsibility of estimating the amount of foreign meat shipments into the country. If the estimates showed that these shipments would exceed 110 percent of the quota for that year then the force of the Meat Import Act would be triggered and meat in excess of this amount would be barred from entry to the country.

Throughout most of the period since 1964 imports coming into the country did not exceed the quota. Therefore, it was unnecessary during this period to enforce the Meat Import Act. However, in January of 1972 the Secretary of Agriculture estimated that imports would exceed the 1,146,600 pounds allowed under the act for that year. This should have triggered the imposition of the quota but the President chose to suspend the operation of the act. The President has repeated this action in 1973 and again in 1974, thus the amount of meat coming into this country during the last 2½ years has considerably exceeded that which was provided for by the Meat Import Act and I list these figures at this point:

MEATS COVERED BY MEAT IMPORT ACT OF 1964

[Million pounds]

Year	Import quota	Trigger (110 percent)	Actual imports
1972	1,042.4	1,146.6	1,355.5
1973	1,046.8	1,151.4	1,354.4
1974	1,027.9	1,130.7	[1] 1,575.0

[1] Estimate.

Mr. President, the Meat Import Act does provide that the President can suspend the application of the quotas when there are overriding economic or national security interests involved or when domestic production will be inadequate to meet domestic demand or reasonable prices. At a time when domestic prices are falling sharply and we face a very considerable surplus in the meat market a continuation of the suspension is in no way desirable or justified.

The Secretary of Agriculture has estimated that 1,575,000 pounds of meat covered by the Meat Import Act of 1974 will be imported into this country this year, but I think this is a very conservative figure. Since the Secretary made that projection, other major importing countries such as Japan, Canada, and the Common Market countries have placed

an embargo on all meat shipments into their countries. This means that Australia, New Zealand, and other meat-exporting countries will be turning more and more to the American market. It is very possible that there could be very massive shipments into the United States in the last half of this year, in the absence of meat import quotas. This can only make an already bad situation worse.

Enforcement of the quota would reduce the amount of meat that would otherwise come into this country by 400 to 600 million pounds. Such action will not suddenly cause domestic prices to rise. But it would have some stabilizing effect on the market. And of equal importance, such action would signal the livestock industry that the U.S. Government is sensitive to its problems and that it is willing to act to protect a vital national resource.

Mr. President, I submit a resolution setting forth the acts that need to be done at this time, cosponsored by Senators ALLEN, MUSKIE, MANSFIELD, YOUNG, DOLE, CLARK, AIKEN, MONTOYA, MCGEE, BENTSEN, DOMINICK, HASKELL, and ABOUREZK.

The PRESIDING OFFICER. The resolution will be received and appropriately referred.

Mr. PEARSON. I ask unanimous consent that a statement by the distinguished Senator from Colorado (Mr. DOMINICK) be printed in the RECORD.

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

STATEMENT BY SENATOR DOMINICK

Mr. President, I have received numerous letters and telephone calls from Coloradans involved in the cattle industry telling me that fed cattle prices have declined by 25% in the last six months, and cattle feeders are currently losing from $100 to $200 per head of cattle. Obviously, if this continues, the entire cattle industry faces total collapse.

I am pleased that the President has scheduled a high level meeting on the beef problem for today involving representatives from government agencies, meat packing firms, food chains, farm credit institutions, and cattlemen. Hopefully, these representatives will be able to sit down together and work out a program whereby both the cattle industry and our nation's consumers will benefit.

I am also encouraged that the House and Senate Agriculture Committees have scheduled hearings for this week to attempt to resolve this problem.

While these hearings and meetings are important, I believe conditions are such that immediate action to strengthen the beef market must be taken. Last week, after meeting with some 40 of my Senate colleagues, we drafted and sent to the President a letter asking him to exercise his authority under the existing meat import law to prevent the dumping of surplus world supplies of meat on American markets. We also asked the President to initiate substantial government purchases of beef to upgrade the diets of our Nation's school children, and to use in our commodity distribution program. We also suggested that the President direct the Department of Defense to make additional purchases of beef for use in the Armed Services.

Mr. President, these actions would provide some relief to the cattle industry. However, I believe that an even more important step would be for the retail outlets to begin to pass along the lower beef prices to our Nation's consumers so the demand for beef will be stimulated. This would serve to reduce the surplus of beef now held by the cattle industry, and would benefit both the consumer and the cattlemen.

I sincerely hope the wholesale and retail community will pass on to the consumers of this Nation the meat bargains this country should be enjoying. If voluntary action is not taken along these lines, the Federal Trade Commission should be directed to begin a complete and thorough investigation into why—with prices to the cattlemen at a ten year low—retail meat prices are so high.

Mr. President, I will have the honor of addressing the Colorado Cattlemen's Association's 170th annual convention on the 20th of June, and it is my hope that I will be able to report to that organization that action has been taken to end this crisis and to restore the cattle industry to a position whereby it can supply beef in abundance while receiving fair and reasonable prices.

Mr. ROBERT C. BYRD. Mr. President, is the Senator yielding back the remainder of his time?

Mr. PEARSON. I yield back the remainder of my time.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the time yielded back be reserved to my control.

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

Under the previous order, the Senator from Colorado (Mr. HASKELL) is recognized for not to exceed 10 minutes.

Mr. HASKELL. Mr. President, the subject we are addressing today, the matter of the beef industry, is extremely serious not only to those who are engaged in it but for the consumer as well. I feel privileged to join a bipartisan group of my colleagues in calling this matter to the attention of the Nation.

I have joined my colleagues in addressing a letter, authored by the distinguished majority leader (Mr. MANSFIELD), asking the President of the United States to do two things. First, to reimpose meat import quotas. By and large, my personal preference would be in opposition to reinstituting quotas. I believe a majority of my colleagues would normally be opposed to such a step. But, in this situation, the imposition of quotas is the only way we will rescue the beef industry which is suffering serious and adverse financial circumstances.

Canada and Western Europe have closed their doors to the importation of meat. The net result is that foreign meat has flooded into this country. So, if we are going to keep the cattlemen in business, from the rancher through the feeder, we must reimpose these quotas.

Second, we asked the President of the United States to ask the Federal Trade Commission to investigate the pricing policies of the middleman. The dramatic decrease in the price of beef on the ranch as sold to the feeder on the feedlot and as sold to the packer has not been reflected at the supermarket.

Mr. President, as evidence in support of that point, I ask unanimous consent at the conclusion of my remarks that an article in this Sunday's Washington Post, entitled "Feeling Outraged About High Prices Down on the Farm," be printed in the RECORD.

The PRESIDING OFFICER (Mr. HUDDLESTON). Without objection, it is so ordered.

(See exhibit 1.)

Mr. HASKELL. Mr. President, I would suggest that if we can take these two steps, No. 1, the reimposition of import quotas and, No. 2, a vigorous investigation to find out why the decrease in agricultural prices has not found itself on its way to the consumers of this country, we will have gone a long way toward correcting the inequities which have arisen.

People say that the high cost of food is attributable to the farmer. That is just not so. The farmer has not been getting his fair share. As a matter of fact, the beef farmer is in a desperate situation and will face bankruptcy unless immediate action is taken.

For that reason, it has been a pleasure to join my colleagues in bipartisan remarks on this particular subject.

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

EXHIBIT 1

FEELING OUTRAGED ABOUT HIGH PRICES DOWN ON THE FARM

(By Jim Hightower)

"Farmers never had it so good," declared President Nixon at a press conference in March. But have they? Certainly, farm people do not share the President's cheery outlook on the farm economy. In fact, farmers were shocked and outraged, and one national farm group considered the remark so callous as to warrant impeachment.

With the highest food and farm prices in memory, what caused farmers to bridle at the President's comment? Two things in particular.

First, farmers did not benefit most from the exorbitant food prices of 1973—the U.S. Department of Agriculture (USDA) reports that food middlemen continued to take nearly three-fifths of the consumer's food dollar in 1973.

Second, the President was trying to make political hay out of a temporary farm price boom that already is fizzling out—1974 does not look all that great to farmers.

Consider the first question: who profited? There can be no doubt that 1973 was a good year for farm income, especially for grain and livestock farmers. As it turns out, administration publicists were a bit overzealous in their initial claims for farm income and they had to revise their early figures downward by $2 billion. And there is considerable doubt that all of the $24 billion farmers supposedly earned actually ended up on the farm, since a good many corporate processors and marketers of such commodities as eggs and poultry get counted as "farmers." These quibbles aside, however, 1973 was not a bad year to have been a farmer.

But it was not the kind of year that warrants being singled out in a Presidential press conference. Even with the record income levels of 1973, farmers received only 46 cents of the consumer's food dollar. The rest went to the corporate middlemen that process, market and retail food. Nor does every farmer in America draw 46 cents every time a consumer lays down a dollar; most farmers never see that kind of ratio.

For an example, the chicken for which you pay $1.50 pays the chicken farmer 6 cents. USDA statistics show that a can of peaches cost consumers 41 cents last year, but the peach farmer got only 7 cents of it. You spent 28 cents for a loaf of white bread, but only 4 cents trickled back to the wheat farmer. A head of lettuce cost 43 cents at the supermarket, but paid only 4 cents to the farmer.

PROCESSORS' PROFITS UP

At a time of skyrocketing food prices and consumer disgruntlement, the President pointed to farmers, without bothering to mention that food corporations were enjoying even better times. Far from flattered, farmers felt picked on. Cattle ranchers are said to have done especially well in 1973, but none did anywhere near as well as such corporate cowboys as Iowa Beef Processors, with a 66 per cent profit increase last year, or American Beef Packers, with a 288 per cent profit increase. Food processors grumbled all last year about government price controls, but their 1973 profit figures suggested that they grumbled all the way to the bank. For example, the big canners of fruits and vegetables did much better than the farmers who grow them with such firms as Del Monte taking a 35 per cent profit increase in 1973, Campbell soup 23 per cent and Castle & Cook (Dole) up 52 per cent.

The May 4 issue of Business Week offered another interesting insight into how the chips actually fell last year. In a listing of salary increases for corporate executives, the food industry was found to be very generous. Food firms and government officials are quick to point to rising labor costs as an inflationary villain and a drain on corporate profit margins, but they do not draw attention to inflationary jumps in executive salaries. In 1973, food industry workers had wage increases of 6 per cent. Up in the executive suites of food corporations, however, there was much less restraint.

Food manufacturing firms ranked ninth out of 32 industries surveyed by Business Week, boosting the pay of their top executives by an average of 17.7 per cent. For example, while consumers were being advised by government and industry to switch from beef to beans, Kraftco increased the salary of its board chairman from $264,000 to $321,000. Consumers ultimately get to pay for Kraftco's internal largesse. Grocery chain executives ranked fourth in Business Week's listing, taking home a 24.3 per cent pay increase. Safeway, which complained all last year that its profit margins were paper thin, scraped up an extra $16,000 to round off its chairman's salary at $200,000 a year. Noting that these corporate executives now claim to be feeling the "pinch" of inflation, Business Week reports that their pay levels can be expected "to take another big jump with the expiration of controls."

FARM PRICES DOWN

Grocery shoppers undoubtedly are puzzled over the phenomenon of the "disappearing price drop" in our food economy. Since September, 1973, the news media have been reporting each month that the farm value of food has been falling. But that price drop on the farm has not made its way into the supermarkets. Farm prices fizzled 16 per cent from August to December of last year but supermarket prices remained sizzling hot. Even as President Nixon was making his remark about the food fortunes of American farmers, the price they were being paid was falling for the sixth straight month, while the price charged to consumers actually was rising.

Not only did food firms pass all of the farmers' 1973 increase right through to the beleaguered consumer, but they also attached a sizable markup of their own. The Federal Reserve Bank of Chicago reported on March 8 that food middlemen increased their take from consumers by 6.5 per cent in 1973. That is an increase exceeded only once (in 1970) in the last 20 years. And the Department of Agriculture reports that these firms will increase their share in 1974 at a rate that "may be more than double the 1973 increase." What that means is that consumers will pay much more for food this year and much less of what they pay will go to farmers.

In 1973, the farmer was averaging 46 cents of the food dollar. By May, 1974, that already had fallen to 42 cents, the same level it was prior to the boom of 1973. And the farmer's share is expected to fall even more during this year. The retail price of food is hardly keeping pace. A Department of Agriculture report shows that the price of bread rose from January to April by two cents, while the farm value of bread ingredients fell by two cents. That is four extra pennies picked up by middlemen every time a loaf of bread is bought.

Not only are middlemen failing to pass along cheaper farm prices, but some appear also to be holding back on supplies of farm goods. For example, Reps. Frank Denholm (D.-S.D.), Thomas P. O'Neill Jr. (D-Mass.) and Lester Wolff (D-N.Y.) have suggested that meat packers and processors are widening their profit margins today by manipulating available supplies of meat.

The congressmen took a look at the meat industry's cold storage inventories in May and found an astounding amount of meat being packed away in corporate warehouses. Department of Agriculture figures showed that cold storage of beef by the packers and processors is 33 per cent above last year, pork stocks are 43 per cent greater and poultry storage is up by 87 per cent. Denholm charged that this storage "clearly pirates the prices of consumers and producers alike." By storing meat, the corporations can artificially decrease supplies in supermarkets, thus keeping consumer prices high. Simultaneously, the record inventories decrease industry demand, thus dampening prices paid to meat raisers.

During April, farm prices overall fell another 4 per cent, with the price of cattle falling from 39 to 37 cents a pound, hogs down from 31 to 26 cents a pound, wheat down from $3.98 a bushel to $3.52, cotton down from 58 to 49 cents a pound and eggs down from 50 to 42 cents a dozen.

STEIN'S STATEMENT

A remark in May by Herbert Stein, chairman of the President's Council of Economic Advisors, is depressing to farmers and consumers alike. He said, "The *declines* in farm product prices are likely to be reflected in much smaller *increases* in retail food prices than occurred in the first quarter of 1974" (emphasis supplied). Only the Grocery Manufacturers of America and the National Association of Food Chains can appreciate the logic of that.

In fact, that is the kind of logic that food middlemen can carry to the bank. The Federal Reserve Bank of Chicago said in its May 31 agricultural letter that "the available evidence suggests that higher profits have contributed to the widening farm-to-retail price spreads." That conclusion is supported by Business Week magazine figures showing that in the first three months of this year the largest food retailers had profits that were 59 per cent higher than a year ago, even though their sales were up just 14 per cent.

The Department of Agriculture clouds the issue of high middleman profits by reporting figures that encompass all food firms, the small with the giant. There are 32,000 food manufacturing firms in America, but just a handful of those sell nearly all the food and control the industry. In May testimony before the Joint Economic Committee, the Federal Trade Commission's Dr. Russell Parker noted that "the 50 largest [food manufacturers] controlled 50 per cent of assets of 1964, they accounted for 61 per cent of profits and nearly 90 per cent of television advertising." According to Dr. Parker and other authorities, this level of industry concentration is increasing steadily. These are the brand-name giants, powerfully situated between millions of farmers and millions of consumers, and they are fast becoming the decisive force in the American food economy.

The average profit increase for all 32,000 food firms in 1973 would not be remarkable, but the dominant firms had "a year to remember," as Business Week put it. A special USDA task force on food marketing costs reported this month that the profits of food middlemen in 1973 "probably" will exceed the 1972 total of $3.4 billion. But the task force need have no doubt about the largest firms. Analyzing the 66 largest food processors, Business Week reported in March that their profits averaged 17 per cent higher than in 1972. The profits of those 66 industry leaders were more than $1.8 billion, which is more than half the industry's total for the previous year.

To a significant degree, this level of profit is the result of monopoly power in the food industry.

Dr. William Shepherd, a leading authority on market concentration, reports that the food industry falls well within the category of "tight oligopoly," with the average four-firm concentration within the industry being 55 per cent. In many food lines, shared monopolies exert much greater control. For example, 91 per cent of all breakfast cereal is sold by four firms (Kellogg, General Mills, General Foods and Quaker). Three firms (Dole, Del Monte and United Brands) sell 85 per cent of all bananas in this country. Gerber alone sells 60 per cent of all baby food and Campbell's sells 90 per cent of all soup.

The same high levels of concentration exist in food retailing, with more than half the cities in the country being dominated by four or fewer chains. In the Washington, D.C. area, for example, Safeway, Giant, Grand Union and A & P control 72 per cent of the grocery market. Nationally, one-third of all the convenience grocery stores are owned by Southland Corp., parent of the 7-11 chain.

PRODUCTION COSTS

There is another harsh economic reality that is squeezing farmers and causing them to think anew about the advice of old-time populist leader, Mary E. Lease: "Raise less corn and more hell." That reality is the rise in farm production costs.

Not much of what the farmer gets stays in his pockets, for he has a mess of bills to pay. As farmers move into the summer months, they are massively pessimistic. The cost of their production supplies has increased about as rapidly as the plummeting of farm prices. In March alone, farm prices fell 4.4 per cent, while the cost of farm inputs increased 2.2 per cent. The Department of Agriculture predicts that farmers' expenses in 1974 will be "more than $9 billion above last year."

A corn farmer in Iowa told the Des Moines Register of fertilizer prices this year 40 per cent higher than last, of diesel fuel prices doubling since last year and of corn seed that has gone from $25 a bushel to $37 a bushel. The cost of new machinery has gone out of sight, and repair of old machinery is about as costly—as this corn farmer put it, "You don't need too big a truck to haul away $500 in parts." He is having to shell out this kind of money now, while the price he can expect for his corn already has tumbled this year from $3.25 a bushel to $2.27.

At work here is the other jaw of the corporate vise that is squeezing family farmers and contributing to higher food prices. There may be a profit made on the farm in 1974, but there will be much more profit made off the farmer. Here's a sample of profit increases farm suppliers already have had in the first quarter of this year.

[In percent]

	1st quarter 1974 profit increase	1st quarter 1974 sales increase
International Harvester	113	16
Stauffer Chemical	55	31
Occidental Petroleum	716	96
Firestone Tire & Rubber	19	17
Pfizer	33	26

Source: Business Week. May 11, 1974. "Survey of Corporate Performance: First Quarter 1974." pp. 70-90.

To put these profits into perspective, the average profit increase in all industries in this first quarter was 16 per cent. And again, these profits can be traced to the existence of monopoly power within the industries. For example, Dr. Shepherd reports that the four leading farm machinery firms hold 70 per cent of the relevant market. The Federal Trade Commission staff found in 1972 that farmers were overcharged $251 million because of the existence of monopoly power in the farm machinery industry. The four-firm concentration ratio in the chemical industry is 71 per cent; in petroleum refining, 65 per cent, and in tires, 71 per cent.

The general public, the Congress and the press have paid little attention to the rise of corporate power in the food economy. It is time to notice, for not only has that power become significant, it already has become the single, most dominant factor affecting the food supply.

It is impossible in the long run to lower food prices, to raise farm income and to assure a steady supply of nutritious food without dealing directly with the shifting structure of the food economy. Both as suppliers of inputs to farmers and as buyers of raw commodities from them, corporations have become the determining force in the farmer's business. As manufacturers, advertisers and retailers of food, corporations have become the decisive force in the quality, choice and price of food available to the shopper.

As a minimal first step toward keeping corporate food power in check, the country's antitrust apparatus ought to be focused on food. The Federal Trade Commission shows some hopeful signs that it might be listening to consumer and farmer complaints on food issues. The chairman of the commission, Lewis A. Engman, has announced creation of a special task force of lawyers within FTC's enforcement branch to develop and implement a program of antitrust action directed at the food industry. Whether Chairman Engman's highly-touted "National Food Plan" will be more than window dressing is questioned by several consumer and farmer organizations, but at this point they are grateful for any official response tossed their way.

Also encouraging are signs that at least a few congressmen are waking up to the corporate presence and beginning to probe for some answers. Within the last six months, the Senate Select Committee on Small Business, the Senate Commerce Committee and the Joint Economic Committee have conducted public hearings on the role of corporate middlemen in the food economy. In addition, the Senate Antitrust and Monopoly Subcommittee and the Senate's Permanent Subcommittee on Investigations have shown an interest in corporate activities that affect farmers and consumers.

These are halting, first steps, but they are important. Old perceptions of food power, based on the idea of independent farmers responding to sovereign consumers, no longer are valid. Increasingly, corporations are the decisive force at both ends of the food chain. That fundamental shift in power is too important a matter to be left to USDA and corporate executives.

The most lasting and significant impact of 1973's skyrocketing food prices may well be the wide public attention that the jolt of those prices attracted to food economics. The food issue will abate somewhat in intensity, but it will not go away, and neither will public attention. The food industry can expect much more scrutiny in the months ahead.

The PRESIDING OFFICER (Mr. HUDDLESTON). Under the previous order, the Senator from South Dakota (Mr. ABOUREZK) is now recognized for 10 minutes.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that any time yielded back by the Senator from Colorado (Mr. HASKELL) be reserved to my time.

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

Mr. ABOUREZK. Mr. President, those of us who represent livestock producing States have been deluged with telephone calls, telegrams and letters over the past several weeks. This outpouring represents the genuine outrage felt by consumers and producers over present livestock and meat prices.

There is reason for that outrage. Both ends of the food chain are being taken for a ride. The producer has seen the prices he receives plummet from a high last August to a point where he is losing $150 or more for every animal unit he sells. But the consumer has yet to see any evidence of this decline in the prices he pays at the supermarket.

In August 1973, choice steer prices per 100 pounds in Omaha were $53.71. By March of this year they had dropped to $42.36. Now they are below $39. But the average retail price of choice beef in August was $1.44 per pound. In March this had fallen to $1.42.

In short, an $11.35 drop per hundredweight in cattle had translated to only a $2 per hundredweight drop in retail prices.

The livestock producers' problems do not end there. At the same time that his prices received have dropped drastically, his expenses have gone up. First quarter 1974 figures show that a selling price of $51.13 per hundredweight would be required for corn belt cattle feeding to cover all costs. The first quarter average prices were $45.39. Since then, prices have dropped even further. You can bet that expenses have not.

To add a final cruel twist, livestock producers have seen foreign meat imports increase to the point where imports now account for about 10 percent of domestic production. Since last October, imports have increased nearly 44 million pounds over what they were in the same time period a year ago.

As indicated, the consumer has not gotten any price break out of these producer problems. But somebody has. A recent television special on the "Food Crisis" reported that supermarket profits increased 34 percent last year. The other middlemen between the producer and the consumer seem to be doing all right, too.

Even imports have not helped much to keep consumer prices down. But they have increased the risk that the consumer will get unsafe meat. Only a tiny portion of the meat imported into this country is subject to anything approaching adequate inspection.

These are some of the problems facing our livestock producing areas. What are some of the solutions?

Interestingly enough, the discussion taking place right now is one small part of the solution. Before any problem can be solved, there must be a recognition that a problem exists.

Unfortunately, the American food consuming public has come to take that food for granted. When they go to the supermarket to buy a loaf of bread or a pound of hamburger, little thought is given to how that bread or meat got there in the first place.

I have little doubt that if the consumers of this Nation come to understand the complexities and implications of the problems now facing the livestock industry, they would support fully the efforts to prevent its collapse.

We need to have more people speaking out about this problem. We need to have more television specials focusing on food issues. We need more attention paid to this kind of issue from the top.

In that context, I would like to praise the President for calling a high level meeting on this subject today. It is exactly this kind of attention that is needed so that we can move to solve other facets of the problem.

One of those facets is, of course, meat imports. Nearly every developed country in the world—Japan, Canada, the Common Market—now bans the import of beef. The notable exception is the United States.

In 1964 Congress recognized this problem and passed a law declaring it to be the policy of this country that imports of meats should be limited. That same law, however, also provides that the President may suspend the restrictions on imports if he determines that such action is required by overriding economic or national security reasons. Import quotas have been in suspension since 1972.

Ironically, the law also requires that in making his determination as to whether import quotas should be imposed or suspended, the President must give "special weight to the importance to the Nation of the economic well-being of the domestic livestock industry."

I think it is time that Congress reasserted the interest indicated by the 1964 law. The authority granted the President to suspend import quotas should be tempered by a requirement that such suspension can be only temporary unless given specific congressional sanction. Further, even this congressional action should have a time limit within which the action would have to be reviewed.

I have cosponsored legislation that would do this and I hope it gets speedy consideration.

There is another aspect of this import problem that has not received

nearly enough attention. If we are to expand our consumer reliance on imported meat, we are also subjecting our consumers to foreign meat inspection standards.

Domestically, we have nearly 7,000 full-time Federal inspectors to keep an eye on the nearly 1,100 plants that process meat animals. There are State inspectors in addition. They generally do a good job, and we have a reasonable assurance that 100 percent of domestically processed meat is inspected at some stage of the procedure.

In the case of imports the story is just the reverse. There are nearly 1,100 foreign plants that are licensed to sell in the United States. Technically, sanitary standards of these plants are supposed to equal domestic standards. To achieve this we have about 75 inspectors who must spend much of their time traveling.

The effect of this is that only about 1 percent of the meat imported into this country is inspected. I think the American consumer is entitled to more protection than that. That is why I intend to introduce legislation on Wednesday that would direct the Secretary of Agriculture to establish a system of thorough examination and inspection of all livestock and livestock products imported into this country.

I hope that my colleagues will join me in cosponsoring this bill.

One of the themes that runs through nearly every one of the calls, letters and telegrams that I have received is "why haven't retail prices dropped as much as cattle prices?" It is a question for which there is no answer.

The fact is that retail margins have shown steady growth. The average for the first 4 months of this year is running 10 percent ahead of last year and 66 percent above the average for 1968. This is over twice the inflation rate for this same period.

Again, this is a problem that did not suddenly emerge in the last week or two. In December 1972, I took part in a series of hearings held by the Monopoly Subcommittee of the Senate Select Committee on Small Business. The subject of those hearings was the role of giant corporations and food.

One of the recommendations that was renewed in those hearings was that the Federal Trade Commission should monitor the food industry closely and report periodically to Congress on changing patterns.

I support that recommendation and am pleased that the Federal Trade Commission has indicated to me that it does intend to expand its efforts in food related areas. Two months ago, 11 of my colleagues joined me in co-signing a letter to Chairman Engman of the FTC offering our encouragement for more efforts in this area and urging close coordination with Congress as that effort continues.

Today, there finally seems to be some progress. However, I would renew my call for giving this area top priority.

No area of consumption is more directly visible and urgent than food. The American consumer is entitled to know what is going on in the merchandising and distribution of food products. I hope that the FTC will not only speed their investigative activities, but also will do so publicly so that there can be full awareness of what is going on.

Another aspect of the livestock crisis that I would like to touch on briefly is the credit crunch that is building up in rural America. The cattle industry survives on the basis of loans made by private lending institutions and production credit associations.

Normally, these loans are secured by the cattle themselves. This is good collateral ordinarily because as the cattle gain weight, their value also increases. Unfortunately, these are not ordinary times and price drops have undercut the value of the cattle as collateral to secure loans.

This, in turn, pressures the bankers who are holding the loans and in some instances they have been questioned by bank examiners. There is a very real threat of wholesale foreclosures which would only depress the market even further while making it very difficult for individual operators to attempt to ride out the present situation. Once you are sold out, it would be almost impossible to get back into business.

Further, this ties up credit for all other rural needs as well. If a bank has a great deal of its money tied up in unstable cattle loans, it is going to be all the harder for any borrower, no matter what his needs or collateral are.

There are several bills dealing with this now before the Senate Agriculture Committee. I am a cosponsor of some of them. I think that it is important that we guarantee these loans on a temporary basis. In the long run, cattle producers do not want more credit. They feel they are too heavily burdened by debt already. They feel, and I think they are right, that they can work it out over time. But if they are sold out in the short run, it will be too late.

Loan guarantees will not make up for the billions of dollars that have already been lost. Hopefully, they will help assure that there will be some cattlemen left to produce meat for the consumer in the future.

Jawboning, meat import quotas, meat inspection, FTC price-spread investigations, credit guarantees—all of these are part of the solution. There is something even more basic that must be done.

We must bring the horrible inflation that we have been suffering under control. Meat is an item that the economists call income elastic. What that means is that as prices go up, people buy less and as prices go down, people buy more.

The fact is, the price of everything has been going up. And as the consumer tries to stretch his strained budget, meat is an item that goes down in quantity purchased. Per capita consumption of meat in this country has started to decline.

Unlike a durable item, meat is something that cannot be stored forever. Once consumption is lost, it is lost forever.

There is much that we can do to help stabilize the livestock industry. One of our foremost tasks must be to start taking steps that will help bring down the consumer prices for all items.

Mr. President, I hold in my hand a list compiled by a group of farmers in South Dakota, given to me by Jim Woster of the Sioux Falls stockyards 2 days ago while I was out there. The list gives a comparison of farm costs between the years 1973 and 1974, which I ask to have printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. ABOUREZK. Mr. President, I am urging that the President, as soon as possible, reinstate the import quotas on beef and conduct an investigation, as has been called for by a number of Senators, myself included, into why retail prices have not dropped when, in fact, there has been a dramatic and sharp decrease in the price of live cattle at the market.

I believe it is time we did something to protect an industry that is so vital to all the people of this country. Indeed, if we are going to be providing food all around the world for a great many years to come, we will not be able to do that, either for our people at home or for those abroad, if we destroy the livestock industry of this country with whatever is happening to it today, without any effort on the part of Congress and the administration to try to save it.

Mr. President, I ask unanimous consent that the remainder of my time be reserved to the time of the Senator from West Virginia (Mr. ROBERT C. BYRD).

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

EXHIBIT 1

FARM COSTS (APPROXIMATE)

	Average		
	1973	1974	Percent
Fertilizer (ton)	$82	$178	117
Gas (gallon)	22¢	39¢	77
Diesel (gallon)	19¢	33¢	77
Steel posts (each)	$1.20	$2.10	75
Barbed wire roll (80 rod)	$29	$45	96
Weed spray (gallon)	$4.46	$9.15	105
Welding rod	$11 (50 lb.)	$10 (10 lb.)	455
Sickle sections (each)	12¢	33¢	175
Cultivation bolts (each)	18¢	43¢	140
Alfalfa seed (pound)	78¢	$1.71	119
Baler twine (bale)	$7.75	$29.50	380
Cement (94 lb. bag)	$1.85	$2.45	33
Galvanized pipe (18 ft.)	$12.50	$20.50	65
Pump cylinder (well)	$56	$96	71
Cattle concentrate (ton)	$105	$159	51
Hog concentrate (hundredweight)	$7.50	$15	100
Oil (gallon)	$2.25	$3.25	45
17 items (average)			105

Note: Sugar (10 lb.) $1.39 to $3.09. Parts and labor; taxes, interest; for the feeder, feed grains.

Mr. ROBERT C. BYRD. Mr. President. I ask unanimous consent, without prejudice to Senator TOWER or any other Senators on the list of those to be recognized today under the previous order, that the distinguished Senator from Iowa (Mr. HUGHES) now be recognized and that his time be charged against the time under my control.

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

Mr. HUGHES. Mr. President, I thank the distinguished Senator from West Virginia for rearranging the time, particularly for my convenience.

This morning, a number of us who represent States who are experiencing a great deal of difficulty in their livestock producing industry have asked for time to express concern not only on our own part but also for the tens of thousands of people in our States involved in this industry.

The independent livestock producing industry, foundation of the Nation's protein production, is at the life or death stage.

Unless emergency measures are taken at once, tens of thousands of efficient beef and hog producers will go down the drain. And if they do, they will take many banks, small agribusiness enterprises, and others with them.

They are in the worst cost-price squeeze predicament since the 1930's.

Lest this seem like a special interest cause, let the consumer take heed that if large numbers of small, independent meat producers go bankrupt and out of business. They will not be coming back. Their exit will be for keeps.

And if the country's entire meat production is delivered exclusively into the hands of the big, integrated agribusiness combines, the benefit to the consumers of reasonably priced meat products will be only a memory.

I have lived most of my life among the cattle feeders and hog farmers of Iowa.

As a matter of fact, 7 years of my life I spent buying livestock, hogs and cattle, in northwest Iowa. At one time I knew every feeder in my county, and was related to them in business ways. These are a self-reliant, independent, and hardy breed who do not flap easily. They have been through hard times before and they are the most genuine and hardy private enterprisers of our private enterprise system. It has been more than 40 years since there has been such a mood of desperation in the industry.

A rural Iowa implement dealer put it this way, last week:

> While other businesses are making money, farmers' production costs are going hog wild. Young farmers who were breaking even a few months ago are losing money now.
>
> If a farmer is feeding a 1,000 head of cattle and losing up to $200 a head, it is obvious that something will have to give. It is the same with hogs.
>
> Meantime, the cost of farm machinery is soaring. We got a 25 percent increase in the cost of parts in one crack last month.
>
> It is a picture of desolation.

Mr. President, this is not just the cattle and hog farmers' problem; it is the Nation's problem.

It is also not just a matter of inefficient producers going under. These are the finest meat producers in the world, and their troubles were brought on by economic forces and Government policies beyond their control.

Massive grain exports—particularly the disastrous Soviet wheat deal in 1972—put these forces in motion. While the big exports brought increased grain prices for a time, with benefits to farmers who had uncommitted grain, they led to chaos in the grain markets with an orgy of uncontrolled speculation and overly optimistic expectations for future exports.

The consequent upward spiral of feed grain and oil seed meal prices raised havoc with the livestock feeders.

The latest hog-corn price ratio stands at 100 pounds of live hog being worth less than 10 bushels of corn. This does not even come near to the breakeven point.

In the meantime, prime beef steers are selling at giveaway prices.

Even more ruinous than the infamous beef price freeze was the fact that the USDA gave carte blanche to the big multinational grain dealers to commit our supplies on the world market—with subsidy support and with inadequate concern for domestic needs. No measures whatsoever were taken for replenishing our grain stockpile which had been so unwisely disposed of.

Unfortunately, an abrupt change in the raw foodstuff supply available to the domestic market is one of the most unsettling things that can happen to the Nation's economy. Demand for agricultural products is relatively inelastic—a fact which is not generally understood. When farmers overshoot demand. Price tends to go down several times further, percentagewise, than supply has moved up. On the other hand, a drop in availability below usual domestic consumption levels tends to result in a price rise several times greater, percentagewise, than that of the supply drop.

It is this characteristic of farm-product demand which partly explains the consequences of the enormous 1972 export sales. When the cost of living index later began to reflect the rise in farm product prices, a general wage adjustment got underway in nonfarm industries. This was an understandable reaction and not without some justification. The oil embargo compounded the resulting rise in food handlers' margins by increasing transportation costs.

In view of the new crop prospects and some consumer resistance, we now see food demand softening, but most of the impact is on the farmer's price. The margins between him and the consumer are not very likely to come down.

The question arises: What about the profits farmers have been making in the last couple of years, as reflected in the President's comment: "The Nation's farmers never had it so good"? Are the farmers asking the nonfarm taxpayers to bail them out? the answer to this is a resounding "No."

They expect the Government to operate evenhandedly. In 1973, when food prices were climbing, the Federal Government slapped on a freeze, causing prices to drop for food producers at the other end of the food pipeline. Now that farm prices are dropping right through the floor, they want to see some action taken on their behalf.

It is true that many farmers made a profit in 1972 and 1973. Few of them became rich overnight. But they have been doing backbreaking physical labor for years in a business that is fraught with risk and that requires huge outlays of investment capital for machinery, land, and maintenance. Now when they have a couple of good years, most of them use the income to pay off their considerable debts.

Finally they are not looking for a Government handout. What they want is a market that operates fairly.

If meat prices fall at the wholesale level, they should fall at the retail level as well.

And a drop at the retail level would help the consumer; they would deplete the backed up supplies.

Mr. President, the letter to the President signed by a number of Senators as a result of the meeting which Senator MANSFIELD so wisely called last week lays it all on the line.

The meeting at the White House today called by Presidential Counselor Rush and Secretary Butz is a step in the right direction.

But time is of the essence. Dialog is not enough. We need action—and action now. Long- or intermediate-range solutions will not do.

The emergecy is now—and next month or even next week may be too late.

Not one of the measures recommended in our letter would be sufficient in itself. In combination, they will have some effect. It is the least we can do in the face of an impending tragedy that would rock the Nation.

Exercise the authority the administration now has under the existing meat import law to prevent flooding of world supplies on the American market.

Negotiate with Canada and other countries which have imposed restrictions on the importation of U.S. meat.

Increase at once Government purchases of red meat and poultry from the school lunch program, the armed services, and the commodity distribution program.

Lean on wholesalers, retailers, the middlemen to pass through to the consumers the benefits of low meat prices, calling upon the Federal Trade Commission to follow through with immediate investigation if persuasion is of no avail.

Mr. President, the situation in the meat producing industry is as dire today as it was in the 1930's.

It requires immediate, decisive action by the Government—leadership such as President Roosevelt gave in the 1930's—to avert certain disaster that would affect the entire Nation for decades to come.

I certainly commend the White House on the meeting that is being held there today, and would call upon them and the Secretary of Agriculture to do everything in their power to immediately bring some relief to this industry, which is getting in tragic shape.

I would like to say to my colleagues in the Senate, Mr. President, that for many years to come this will have a lasting effect if something is not done immediately.

We bailed out other segments of our economy and industry when they got into serious trouble; everything from the railroad industry to those in manufacturing lines of armed services production. Here we have the small independent producer who has been the greatest independent believer, actually, in a free and open market system in very serious and drastic trouble, all the way from the cow and calf man on the range in the Southwest to the heavy feeder of cattle in the Midwest markets.

What is happening now is going to have a lasting effect, and it could well affect the price of meat and the production of meat not just in this country, but worldwide as well.

I cannot recall a more serious time since I have been an adult than exists today.

To cite an example, one man purchased a farm in 1962 for $250 an acre. He had the farm paid for in 1969. Thirty days ago, he was forced to obtain a $60,000 mortgage on his land to pay for his debts. The $60,000 would not pay all of his bills. This same feeder has 250 head of cattle that he purchased 5 months ago. At the current market price he could not even regain his purchase money. His mortgage money is gone and he still owes money for the feed. Without emergency financing this feeder has no hope. After years of successful operation he can lose every cent and still be deeply in debt.

Another example is that of a 61-year-old farmer-feeder who had a 240-acre farm free of debt for the last 15 years, who was forced last week to obtain a $50,000 mortgage and now needs another $50,000 to finish paying his debts. His ability to continue for another year is almost impossible without emergency financing. Another farmer managed to accumulate a net worth of $250,000 by 30 years of hard work. In the last few months his net worth has dropped to $96,000. This farmer-feeder's accounts payable are unmanageable. If he were to sell all his animals and machinery, he still could not pay all his bills. This man started farming and feeding with 5 milk cows, 20 head of feeder cattle, and 300 chickens. He has less today than he had 30 years ago.

A feed dealer in northwest Iowa reports that last week he saw grown men actually cry because of the financial mess they face.

These are not just the exceptions. We have feeders all over the great feeding areas of this country losing $125 to $200 a head on cattle that are feeding, and who are depending on the market in some way to stay reasonably level. These are free-enterprise men who have never wanted support or assistance in the marketplace. But today, because of the economic fluctuation at both the national and the international level, we are forcing out of business many of these people, and it will have a lasting effect on our economy.

The average age of the farmer-feeder in Iowa is 59 years. It takes tens of thousands of dollars, and many times in excess of $100,000, just to make the investment in machinery and land to begin a farm operation. Young men and women are not willing to take that risk any more in our economy. We are breaking the back of the independent farmer and feeder in our economy. As these farmer-feeders get to their 60's, their children are not willing to take over. We are destroying the economic stability of this country. We all know from experience that when the farm-agriculture business is destroyed the rest of the economy follows soon thereafter. They will quit buying farm machinery and everything related to the operation. The production line will slow down and we will not be in a recession but in a major depression if this continues.

We can take temporary measures and I pray to God that out of the conference today at the White House will come those temporary measures. I think we should bring pressure on the retailers to make sure that the price of meat goes down comparable to what it has gone down in the farm-feeder lots across the country. It is time that the housewife received the benefits from what the farmer has done. As far as I know there have been no large wage contract increases in recent months in the retail food industry; the benefits might have gone into the retail markups; there is plenty of meat to supply the needs of this country. If all this is true then someone is making a huge profit that is draining the pocketbook of the consumer and robbing the feeder all across the country of his share in the economy.

I pray that at this time when we face a back breaking problem in the major protein industry in this country, when we have the tremendous capacity to meet not only the needs of this Nation but the needs of the world, that we in Congress will share the responsibility of facing this problem and do everything psychologically as well as realistically to take the sting out of this wildly cycling market to help these men and women to continue in this business in America.

Along with my colleagues in the Senate representing over one-half of the States in America with independent farmer-feeders and the rest of the States that depend on them for meat products, we express this hope for our industry which is so badly damaged today. The feedyards are full of cattle which are too fat and every day that they get fatter they bring less, and that will cost more. It is going to be a national disaster in this country unless something is done about it immediately.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Under the previous order, the Senator from Texas (Mr. TOWER) is recognized for 10 minutes.

THE LIVESTOCK INDUSTRY

Mr. TOWER. Mr. President, I join other of my colleagues in expressing deep concern for the most serious economic problems confronting the American people today, and that is the plight of the livestock industry. I express with others the hope that something constructive will come from the White House Conference, something that can be done now, because the problem is immediate, it is on us, and it may require drastic action if there is to be any hope for a resolution of the problem. The plight of the cattleman has serious, long-range implications for the American consumer. Should this industry be seriously crippled, it will mean in the future we will not have available a high quality of meat products available to the housewife today at reasonable prices.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent, without prejudice to Mr. CHILES, that Mr. CLARK may now be recognized.

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

BEEF PRICES

Mr. CLARK. Mr. President, the livestock industry in the United States has come face-to-face with the worst disaster in its history. These farmers have never had it so bad. The prices that producers receive for beef and pork have fallen sharply over the past 6 months, but their costs remain at record high levels. In March, the cost of farm supplies increased more than 2 percent while, at the same time, the prices farmers received for their products fell 4 percent.

And it is even worse for cattle feeders who have been losing from $100 to $200 a head throughout 1974. Many individuals have lost hundreds of thousands of dollars. The industry as a whole has lost more than $1 billion.

The situation in the swine industry is no better. The price of hogs has dropped 45 percent since December, and like beef, it is now well below the cost of production.

There is evidence that this financial crisis is spreading to other segments of the livestock industry. For example, turkey and broiler producers also are suffering from this very painful price-cost squeeze.

The problems began with the administration's incredible decision to freeze beef prices and to keep them frozen after other price controls had been lifted. Now, we are paying the price of that shortsighted policy.

In the past several months, I have heard from thousands of farmers who are losing—or already have lost—the farms and assets they have worked so hard to build. Six months of high costs and low prices are wiping out the results of decades of dedicated labor.

These bankruptcies may not be limited to farmers and ranchers—they extend to the businesses, banks, and even entire communities which depend upon beef and pork production. As farmers are unable to pay their bills, the feed companies and other firms which supply them will fail. This, in turn, will have a devastating impact on the economies of many rural communities. It may already be too late prevent it in some towns.

The catastrophic drop in farm prices, especially beef and pork prices, has not been reflected in significantly lower consumer prices for goods on the supermarket shelf. The "spread" in farm prices—the difference between what the farmer is paid for his product and what the

consumer pays for it—has grown even larger over the last year, and there is no indication that the trend will reverse itself. And, as John Hightower put it in an article in yesterday's Washington Post—

What that means is that consumers will pay much more for food this year and much less of what they pay will go to farmers.

The difference goes to the processors, wholesalers, and retailers in the middle.

Hightower's article offers some fascinating information about farm prices and the fruits of the price "spread." I ask unanimous consent to insert excerpts from the article in the RECORD at this point.

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

In 1973, the farmer was averaging 46 cents of the food dollar. By May, 1974, that already had fallen to 42 cents, the same level it was prior to the boom of 1973. And the farmer's share is expected to fall even more during this year. The retail price of food is hardly keeping pace. A Department of Agriculture report shows that the price of bread rose from January to April by two cents, while the farm value of bread ingredients fell by two cents. That is four extra pennies picked up by middlemen every time a loaf of bread is bought . . .

During April, farm prices overall fell another 4 per cent, with the price of cattle falling from 39 to 37 cents a pound, hogs down from 31 to 26 cents a pound, wheat down from $3.98 a bushel to $3.52, cotton down from 58 to 49 cents a pound and eggs down from 50 to 42 cents a dozen.

A remark in May by Herbert Stein, chairman of the President's Council of Economic Advisers, is depressing to farmers and consumers alike. He said, "The declines in farm product prices are likely to be reflected in much smaller increases in retail food prices than occurred in the first quarter of 1974." Only the Grocery Manufacturers of America and the National Association of Food Chains can appreciate the logic of that.

In fact, that is the kind of logic that food middlemen can carry to the bank. The Federal Reserve Bank of Chicago said in its May 31 agricultural letter that "the available evidence suggests that higher profits have contributed to the widening farm-to-retail price spreads." That conclusion is supported by Business Week magazine figures showing that in the first three months of this year the largest food retailers had profits that were 59 per cent higher than a year ago, even though their sales were up just 14 per cent.

Earlier this year, many people held to the hope that the situation would soon reverse itself. There were predictions that the "corner had been turned." On March 13, for example, a USDA official testified before the Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices that—

We believe the cattle market has bottomed out and there should be a general uptrend in the months ahead . . . and prices could be expected to run higher than the $46–$47 January–March average."

However, on June 12, the price of cattle hit $35. It is not surprising that farmers are hesitant to accept the current belief that this represents a bottom price and that higher prices are close at hand.

Everyone hopes that price improvement is just around the corner, but there is little reason for optimism. In fact, further price decreases may well be in sight. A USDA economist has said that—

In 1975, output will be so large that the world beef trade will fall sharply and the weight of low beef prices should continue to exert downward pressure on veal, pork, poultry, fish and even dairy products.

Two foreign agriculture service economist have predicted that if slaughter rates return to the level of the 1960's, and if carcass weights increase on trend, worldwide beef and veal output could increase an additional 20 to 25 percent next year.

The situation is so bad that action is necessary even if it appeared likely that prices would soon rise. But there is no promise of improvement. And it is not only farmers and rural communities that will be affected by this. Ultimately, everyone will suffer. Widespread losses and bankruptcy in the livestock industry inevitably will mean less production and substantially higher meat prices for consumers in the future.

Every consumer has a stake in seeing that the livestock industry gets the help it needs now.

Mr. President, in conclusion, several steps can and must be taken to provide assistance to this industry:

The first is an emergency loan program for livestock producers. The subcommittee on Agricultural Credit and Rural Electrification is holding hearings on several such bills today, one of which I have introduced. And I hope that the committee and the Senate will act quickly on the legislation.

A second helpful step would be to reimpose quotas on meat imports. The meat shortage which led to the removal of quotas in June 1972, has disappeared. There is simply no justification for permitting unlimited meat imports into our Nation today, and I strongly urge the administration to take the step. At the same time, the administration can do more to encourage beef exports. Specifically, this country can accelerate negotiations with Canada that will lead to a lifting of the Canadian ban on U.S. beef imports.

Third, there should be an immediate investigation of the price spread received by wholesalers and retailers. Retail prices have not fallen nearly as much as livestock prices. Is price fixing involved? Have the antitrust laws been violated? I hope the Federal Trade Commission will expedite its investigation into this and that the Justice Department will also take part. In the meantime, every effort should be made to encourage beef and pork retailers and wholesalers to reduce the spread between the price on the supermarket shelf and the price paid to producers.

A fourth step is to increase Government purchases of meat. The administration should immediately speed up its purchases for commodity distribution programs and for the military by as much as $100 million.

These steps will provide some relief to the livestock industry, but they will not restore its vitality. Only when the entire economy is healthy once more will consumers buy enough meat to put the industry back on its feet. This week the Senate will be considering legislation to cut personal income taxes by $6.6 billion. By increasing consumer buying power, this tax cut will do more to restore profitability to the livestock industry than any other single measure. And I hope the Senate will consider this when it votes on the tax cut.

Mr. President, I ask unanimous consent that several articles from this morning's Wall Street Journal on the beef situation be inserted in the RECORD at this point.

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

FOOD-PRICE FLAP: CONSUMERS COMPLAIN WHOLESALE DECREASES AREN'T PASSED ALONG

(By David M. Elsner)

After months of griping about record-high food prices, shoppers now are complaining bitterly about lower ones.

As consumers see it, and as the government seems to agree, food prices aren't getting low enough fast enough. While retail prices of many foods have slipped from their peaks, the dip hasn't been commensurate with downward price movements at the wholesale level. For instance:

By June 1, Chicago wholesale choice-beef prices had plummeted by more than 28% from their highs in February, but according to unpublished government figures, the average national retail price fell only about 10%. Since then, wholesale prices have continued to drop with little change at retail.

At the same time, wholesale pork prices tumbled more than 27% nationwide while average retail prices dropped only 19%.

In Chicago early this month, supermarkets sold frying chickens at an average price of 50 cents a pound, nearly 46% below Jan. 1 levels. Over the same period, however, wholesale prices averaged 31 cents a pound, down 58%.

Atlanta supermarkets recently charged an average 79.9 cents a dozen for Grade A large eggs, a 22% drop from Jan. 1. Meanwhile, wholesale prices in the city dropped 26% to 56 cents a dozen.

Wholesale prices of yellow onions in Chicago have fallen from 19% to 24% since the beginning of the year, but the retail price has remained constant at an average 23 cents a pound.

Similarly, Chicago green beans at wholesale brought 21% less in early June than on Jan. 1, while retail prices have fallen only 12.5%.

Overall retail food prices in some cities have continued climbing despite the weaker wholesale market. In New York, the cost of buying a market basket of 38 items designed to feed a family of four rose 0.7% during the week of June 6 following a 3.7% drop in wholesale prices during March and April, the city department of consumer affairs reported last week.

JAWBONING TODAY

So far, most of the controversy has focused on meat, which is the largest single expenditure (about 32%) in the typical American family's food budget. Today agriculture Secretary Earl Butz and Kenneth Rush, the presidential economic counselor, are scheduled to meet with representatives of the supermarket and meat-packing industries in an attempt to persuade them to lower beef and pork prices. (For details, see story on page 12.)

It won't be easy. "We've got to try to recoup somewhere," says an executive of an Eastern supermarket chain. "Everyone around here took a real beating last year with A&P cutting prices. We're only trying to make up a little of what we lost; 1973 was a lousy year."

Another supermarket official argues: "If retail prices don't go up as fast as wholesale ones, why should they come down as fast?"

That argument doesn't sit well with consumers and government officials such as Secretary Butz. "It is high time that these lower farm prices show up more fully in lower retail store pricing," he says. "While food prices at stores have leveled off some, (profit) margins are still higher than normal."

The supermarket industry's net profit fell to 0.49% of sales last year, the lowest level in many years, and many individual chains posted larger losses. The poor performance was due largely to price controls and, in the East and parts of the Midwest, intense price-cutting competition from A&P, which was trying to bolster its share of the market. In addition, during the summer meat shortage a number of large chains bought and custom-slaughtered cattle to keep beef in their meat counters and thus, it was thought, steal a march on competitors that ran out. But the losses on such operations ran up to $40 a head.

THE SUPERMARKETS' STORY

"Supermarkets have little choice but to raise gross margins, whether it's by keeping retail prices steady as wholesale prices decline, or by actually raising prices," says Wendell G. Earle, professor of marketing at Cornell University's New York State College of Agriculture and Life Sciences. "For one thing, many stores are having to put a lot of money into remodeling and buying expensive refrigeration equipment to meet the growing demand for frozen foods. With their poor profit record of last year they're finding it impossible to go to the capital market for funds."

Supermarket operators say that their gross profit margins aren't improving appreciably. A study of 147 grocery companies by the Super Market Institute, a trade group, says that gross margins during the first quarter of the year rose only 0.1% from a year earlier to 20.8%. That gain has been eaten up by increased costs, grocers contend.

"Everything is up," laments Herb Asselstine, president of Red Owl Stores Inc., a Hopkins, Minn.-based division of Gamble-Skogmo Inc. "Our labor rate has gone up 15% since price controls have ended, packaging costs are way up, transportation is out of sight and every utility around is standing in line for rate increases."

Mr. Asselstine says that all adds up to higher retail prices—but not for awhile. "Nobody wants to be first," he says. "Everybody's afraid of losing his market position, and it's going to take six months before people in this business realize they can't go on like this any longer."

"This wholesale price criticism is completely unfair," says Julie Kravitz, president of Pic'N Pay Stores Inc., a Cleveland chain of 56 stores. "For instance, a little over a year ago I was paying 1.75 cents for a paper bag. Today they're 2.2 cents apiece. That may not seem like much, but it comes out to $400,000 a year."

In addition, Mr. Kravits says price-cutting competition is not over. Last week, for example Pic'N Pay bought coffee for $1.31 a pound and sold it for $1.19, and bought a salad dressing for 87 cents a jar but sold it for 79 cents—to meet competition, Mr. Kravitz says.

The question of whether retail prices are adequately reflecting lower wholesale prices soon may be moot, some experts think. Agricultural economists say there is a possibility of tighter beef supplies later this year, which could lead to higher wholesale and retail prices. Further, cold and wet weather throughout the Midwest has hindered planting of spring wheat and corn, and thus the size of these important crops could be reduced somewhat from expectations of bumper harvests.

Sizeable retail price increases already have been posted for sugar, and more are in store. Grocers are selling five-pound bags for $1.25 to $1.50 each—up from 79 cents in March—but in the next few months the price is likely to reach $2.

WHITE HOUSE TO JAWBONE MEAT MEN TODAY ON HIGH PROFITS, BUT WON'T CURB IMPORTS

WASHINGTON.—The White House plans to haul out its jawbone today to try to beat down profit margins of meat processors and retailers, but it won't reimpose quotas on imported meat to aid domestic livestock raisers.

Kenneth Rush, presidential economic counselor, outlined that strategy in advance of today's scheduled White House conference with meat-packers, supermarket chains, and cattle and hog producers. The session was called to discuss the curious combination of depressed livestock prices and enlarged meat-industry profit margins. The White House official said he'd press the packers and food chains to narrow their meat profit margins in order to spur consumer demand—an action that ultimately would benefit the stockmen.

But in talking with newsmen Friday, Mr. Rush also made clear that the White House doesn't plan to heed the call of some farm groups and farm-state Congressmen to reimpose meat import quotas in an effort to shore up slumping domestic livestock prices. Such quotas were suspended by the White House in mid-1972. Resorting to restrictive quotas, the official said, "should be avoided" because it would run counter to the broad U.S. trade-policy position opposing such protectionist measures.

HIGH PROFITS MARGINS

Meat-packers and retailers, Mr. Rush contended, "are making very high profit margins" that "should be reduced." In calling the conference with meat men, the White House last week said that although cattle and hog prices are down 20% to 40% from their February levels, retail meat profit margins are 16% higher than a year ago for beef and nearly a third larger than a year ago for pork.

Mr. Rush said he and Agriculture Secretary Earl Butz also will press the food chains and packers to step up promotional efforts, including cut-rate "special" prices, to spur consumer demand for meat and thus eliminate the meat glut that's currently depressing livestock prices. "We question whether they are making the effort they should make" to promote meat sales through special weekend price discounts and other means, he said.

Turning to other economic matters, the White House official said it would be "unrealistic" for Congress to pass a federal spending ceiling of $295 million for the fiscal year starting July 1. The Senate last week approved such a spending ceiling, which is $10.4 billion below the outlays projected for the coming fiscal year in the Nixon administration's budget.

"I don't think we can take $10 billion out of the budget" for fiscal 1975, Mr. Rush said. The administration is searching for ways to reduce spending below the projected $305.4 billion, he said, but doubts it can cut nearly that much. Some officials have indicated a cut of up to $5 billion is likely, but Mr. Rush wouldn't specify any target figure.

FISCAL 1976 OUTLOOK

For fiscal 1976, which begins a year from next July 1, "I'd like to see us in surplus," in contrast to a projected budget deficit of $11.4 billion for fiscal 1975, Mr. Rush said. That comment went slightly beyond his earlier assertions that the administration would aim for a balanced budget in fiscal 1976. The official indicated that the administration's tightened budget plans leave little room for new spending initiatives and will require legislation to scale back some outlays currently mandated by law.

Separately, Federal Reserve Board Chairman Arthur Burns urged rural-area banks to continue to make loans to cattle feeders despite livestock raisers' worsening financial position. In a letter to the regional Federal Reserve banks of Chicago, St. Louis, Kansas City and Dallas, the Fed chief said local bankers should be "reminded" of their "obligation" to provide credit to livestock men even though the short-term money markets might provide a more attractive outlet for bank funds.

Mr. Burns acknowledged that banks aren't expected to take "undue credit risks" on loans to cattlemen, but said that some banks "may be reluctant to make adequate funds available locally because of the very high returns" banks can earn by investing funds in the money markets, where interest rates currently are high. But, he said, the "first obligation of bankers is to the credit requirements of their service area."

Mr. CLARK. I relinquish the remainder of my time.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the times of Senators BIBLE, JACKSON, and HUMPHREY be reserved to my control and that Mr. CHILES now be recognized.

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

Mr. CHILES. Mr. President, I wish to join with the Senators this morning who have been participating in the discussion about the plight of our cattlemen and beef producers. I find that this is a problem of great magnitude in the State of Florida, as in many places throughout the country.

It is interesting to note that while the cattlemen and the beef producers suffer, the housewife gets little or no relief. When I go to the grocery store I still find the prices of beef and beef products have not come down anywhere near in proportion to what the prices the cattlemen and the beef producers are receiving for their product.

It seems to me that we enter into this cyclical problem constantly in regard to our beef producers. As soon as the price of beef goes up and the consumer begins to complain—and I complain along with them when the prices of beef goes up—then we immediately seem to open the floodgates for the import of foreign beef but we do not watch that cycle at all to see that when we have encouraged our producers and our cattlemen to produce more beef, as we did when the prices were up and told them to help try to meet the demand that we should need in this country, that this year's production of our domestically raised beef is up some approximately 20 percent, at the same time we keep open the floodgates of our foreign imports. Certainly that had to cause a break on the prices, which it promptly did. This was a break in the price that the cattleman would get when he took his beef to the market.

But that corresponding decrease then does not come through the chain because the wholesaler, the producer, and the retailer—or the wholesaler and the retailer—and the people who are handling the price in between are still keeping it up so that the housewife is not getting that bargain; and yet, at the same time, we

now find that we are about to cripple our cattlemen and producers of the beef.

What is that going to do for the housewife? It is going to mean she is going to pay and continue to pay, because we are not going to have a viable domestic beef industry, and when we do not have that then we are going to be completely at the mercy of the exporters of the beef, those countries that sell beef to us, if we do not have a viable market ourselves.

It seems that the first step we should take would be to do something about this—tc curtain, to cut back on the importation of the foreign beef, and then to see which other steps we can take to try to give some measure of protection to our domestic producers so that they will be able to survive.

Figures have been given this morning in regard to the number of bankruptcies and the number of cattlemen who are going out of business.

In my State, many of the cattlemen can go out of business because they have a value in their land, they can put that land on the market and sell that land on the market and get out of the cattle business. But we hate to see that happen in the State because then it means that we will not have a viable cattle market in our State. We know what that will mean to prices in our State.

The same thing is going to happen across the country if we allow the producers and the cattlemen to take this kind of beating.

It may well be that this would be the most appropriate time for the Government to find a bargain in its commodity programs, and certainly for buying for the school lunch program, buying for the Army, now would be one of the best times, especially if the Government would come in and buy at the wholesale level, which they can, without taking the increases that have gone through the price at the retail level, and this would help take some of the supply from the market and, at the same time, it would be such a bargain to the Government to buy this product to feed to the military, to feed to our schools and institutions. I would certainly encourage that to be done.

It would seem to me that the U.S. Department of Agriculture, with all of the money they have and all of the statisticians they have, certainly could be able to anticipate what they are causing with the cyclical demand, the demand and supply, wherein they open the floodgates after they know of the foreign imports, after they know what is happening in the increased production of our cattle here at home, and yet they allow that to happen and they go on for month after month until finally the hue and cry has to come by virtue of the men standing at the courthouse door losing their ranches and losing their farms before any kind of demand is really heard by the U.S. Department of Agriculture.

It would seem to me that their job would be to try to maintain a healthy domestic industry, and that that would be the first essential thing, to protect the consumer; because if we do not provide that health and that strength of the American producer, then we are not going to protect the consumer. So I hope that the U.S. Department of Agriculture will take heed, and see that something has to be done to restrict the importation of foreign beef and to try and answer the plight of the American cattleman.

Mr. President, I yield the floor.

BEEF PRODUCERS LEFT OUT OF PROFIT PICTURE

Mr. DOMENICI. Mr. President, many of my colleagues and I have taken the floor during this session to sound the alarm about mounting problems for beef producers, particularly those problems related to economic conditions.

On March 26 I presented a rather detailed and documented statement concerning the plight of cattle feeders in New Mexico. At that time losses were running as high as $140 per head for feeding operations in New Mexico. As of that time, one of my constituents had lost $208,579 on 4,367 head of cattle sold since October 1, 1973.

At that time I urged increases in purchases of beef by the USDA for child nutrition programs and the Department of Defense. I also suggested to Secretary Butz that USDA use its extensive relationship with the grocery industry to promote the movement of meat products to consumers. I suggested the reinstitution of USDA's plentiful food program to help accomplish that movement.

Since March, as we all know, the economic circumstances for cattle feeders has gotten even more severe and their plight has deepened. Now those disastrous conditions extend well beyond the feedlot and threaten to wipe out the very foundation of the cattle industry—the ranchers and cow-calf operators who breed and raise the herds which have historically provided this Nation with red meat in quantity and quality at low prices unknown to the rest of the world.

So, today, Mr. President, we find ourselves in a country where the producers of the cattle business—the rancher and the feeder—are being strangled by economic circumstances beyond their control. They are going broke and going out of business and the prospect of improvement without significant Government action combined with cooperation and restrain from middlemen—the packer and retailer—is virtually hopeless.

Beef producers face an unbelievable series of obstacles to economic stability, obstacles which have multiplied in the past year or so. In the Extension of Remarks section of today's RECORD I intend to share with my colleagues some of those problems and difficulties through the eyes of a typical New Mexico ranching family. For the remainder of my time, Mr. President, I want to address specific remedial action I feel are essential to improve the economic structure beef producers must operate within.

First, the most important single action this Government can take is to restore at once the meat import quota system established by the 1964 Meat Import Quota Law—Public Law 88-482. Many of my distinguished colleagues have joined me in urging the administration to terminate the suspension of that system, a suspension that most of the time since September 1972 has made the United States the only major meat producing Nation not employing some restraint on meat imports.

I have been reluctant, as I am sure most of my colleagues have, to interfere with existing arrangements for international trade or to change the general policy against unilateral actions to restrict meat imports as the EEC, Japan, and Canada have done. But, Mr. President, the time for adhering faithfully and rather blindly to policies that work in normal times is past. We can no longer afford that luxury. We are now in a genuine emergency, an emergency that requires some actions contrary to basic philosophies of international trade and economics.

As commendable as the efforts of the State Department and USDA are to work out voluntary agreements with countries flooding our markets with cheap, low-grade meat, those efforts will be "too little, too late." We must have a definite limitation by law and it must be now.

I am an original cosponsor of S. 3525, a bill to restore the quota system and I urge swift enactment of that bill if the administration continues to refuse to take necessary action. I had intended to modify that bill to require that the quota system be made retroactive to January 1, 1974, but I am advised that as written, S. 3525 would have that effect. This would mean that those countries which have exported more than their quota share since the first of the year would have to wait until their accounts had balanced out before sending any more meat into this country. That seems fair to me.

Another step the Government can, should, and must take is to find ways to provide temporary financial assistance for ranchers and feeders who without such help would be destroyed. There are hearings today on various legislative proposals to provide that assistance. I am hopeful that we can quickly produce and get enacted effective legislation of this kind. It is extremely important.

Referring back to my March 26 statement, I am still convinced that the Government could do more to remove some of the overstock of meat by purchases for legitimate and beneficial uses in the public interest. I think that there are ways which ingenuity and necessity could discover to utilize meat purchased by the Government. I am of the opinion that if we can find billions of dollars to aid our new found friends in the Middle East, we ought at least to be able to find a fraction of that to use for a twofold purpose—to help save the backbone of the meat supply of this Nation from total oblivion and provide much needed high-protein red meat for hungry and undernourished people here and abroad. Why could not we send our new found friends meat instead of money or aid in other less beneficial forms? There are any number of humanitarian and highly beneficial uses for the meat the Govern-

ment could buy. Those possibilities are limited only by our ingenuity.

Finally, Mr. President, I think we in the Congress have done far too little, as I feel the administration has done far too little, in failing to concentrate public and consumer attention on where the high prices paid for meat at the grocery store are going. This is absolutely essential for at least two reasons.

First, the consumer has a right to know why, in a time of plenty, the prices he pays continue to reflect a shortage. Second, we cannot expect consumers who are having such a hard time with inflation on all fronts, to give their support to the kinds of government action I have urged unless they understand the situation and realize that beef producers are being forced out of business to the ultimate severe detriment of the meat consuming public.

Consumers ought to know that from the middle of January of this year to March, choice slaughter steers in the Texas Panhandle, dropped from 50 cents per pound to 41 cents per pound. This represented a drop of 18 percent, averaging out to $101 per head in just over 75 days.

It would seem that the consumer would benefit from such reductions of slaughter prices and normally, for every 1 cent drop in feed cattle prices, the retail price of beef goes down by about 2 cent per pound, after a maximum lag of about 3 weeks. However, this normal market reaction has not been the case over the past 6 or 7 months and particularly over the last 4. Citing again the 9 cent drop in feed cattle prices from January to March, we would expect the retail price of beef to to have dropped between 16 and 20 cents a pound. Yet, the reverse was true. The average U.S. retail price of beef went up from $1.43 per pound in January to an all time high of $1.50 per pound for the month of February.

Consumers ought to know that this combination of high retail prices and low producer prices is not only forcing them to buy less meat, but that it is wrecking the producing part of the industry. I think they ought to know, for instance, that farm prices for cattle have declined by as much as 40 percent from February levels and are as much as 50 percent below August 1973 levels. They already know all too well that only slight reductions have been noted at the meat counters across the land during the same time period.

Consumers ought to know that while they are continuing to bypass the meat counter in anger and disgust, ranchers and feedlot operators are also shaking their heads in frustration and dismay at losses as much as $200 to $250 per head on cattle they raise or feed. Consumers ought to know that the greed and short sightedness of middlemen has produced a price spread between farm and retail prices of beef that is 16 percent greater than it was a year ago.

Consumers ought to know, Mr. President, that in the aggregate, these conditions are going to catapult the cattle industry of this country into utter destruction. We will have undone in those few short months by inaction, inattention, and indifference all that years of diligence and independent hard work have been required to build—the strongest livestock producing industry in the world which is the very heart of the best protein diet enjoyed by any people in history.

Consumers ought to know that if this catastrophe occurs, it will prevail for not just a short time, but for many years. Unfortunately, the livestock business is controlled by biological facts which man, despite his ability to create factories, equipment, dams, and other engineering and scientific marvels, cannot duplicate or change.

Mr. President, I have received more mail on this matter, more urgent phone calls, more frantic telegrams on this matter from ranchers and feeders in New Mexico than any other single domestic issue since I have been in the U.S. Senate. This level of concern and this recognition of the magnitude of the problem was confirmed by a meeting of Senators from 15 beef producing States last week with Secretary Butz.

The people, the businesses who are communicating with us are not prone to cry wolf. To their credit, Mr. President, they do not want Government subsidies or regulation for their benefit. But the situation has become so desperate that without changes in existing conditions the beef industry will be dealt a crippling, if not fatal, blow. Therefore, Mr. President, we have a vital stake in making the proper accommodation of these existing conditions.

I am pleased to see that the President has directed Mr. Rush and Mr. Butz to convene a high level meeting at the White House today to discuss these problems. Discussion is good if it leads to action, but only action of the decisive kind and quantity I have suggested previously will avert the disaster that now is so imminent.

Mr. TALMADGE. Mr. President, over the last few weeks various Members of the Congress have attempted to draw national attention to the impending crisis of the livestock industry. As chairman of the Senate Committee on Agriculture and Forestry, I rise with a sense of urgency today to say it is not an impending crisis—it is an economic disaster. It must be quickly alleviated or the impact will spread throughout the economy.

It is not just a question of farm profits or cows or pigs or chickens, but rather this is a human disaster. Already, we know of at least one man who committed suicide when he saw his life's work disappearing before him. Another man who called a Senator's office began crying when he related that his 9-year-old daughter could not understand why they had to sell their farm and home. These are occurrences that remind us that human beings are behind the monthly statistics. They are also fearfully reminiscent of the depression.

The spreading period is evident in the closing of several small rural banks, as their borrowers—livestock producers—failed. This signals the beginning of the total breakdown of the community.

The demise of livestock producers is not entirely of their own making. Business failure is a normal risk in our free enterprise economy but the harsh reality of the market has been made more savage by ill-advised governmental intervention and institutional relationships that have prevented normal adjustments while permitting ever-widening farm-retail price spreads.

Livestock producers had attempted to respond to the market. Their efforts were admirable, as beef production, for example, increased 40 percent between 1962 and 1972. In January, the Nation's beef cow herd was nearly 43 million head and the number of cows and heifers was up a fifth from January 1970. This was in spite of severe drought in 1970–71 and heavy winter losses in 1972–73.

To achieve this, producers borrowed increasing amounts of money but at ever-higher rates of interest. They passed up high slaughter prices in retaining heifers to assure the expanded future supply our Nation's people want and deserve. Their efforts, however, only met with repeated market disruptions in 1973, skyrocketing feed costs—due to subsidized exports—and finally, market imperfections that have prevented movement of meat to consumers at a price reflective of the farm price.

Last week fed cattle prices were 25 percent below a year ago. This has broken the feeder calf market, where prices have plummeted in the past 5 months. Hog prices had fallen to half what they were a year ago. Egg and broiler prices were down about 25 percent.

The price of corn last week was 19 percent higher, while wheat, a very important component for poultry feed, was selling for 38 percent more.

Farmland prices jumped 21 percent in 1973 and interest rates also surged. The cost of fertilizer has in many cases doubled or tripled. In fact, the total index of production costs is up by more than a fifth, catching producers in a vicious squeeze.

Although we have what appears to be surplus stocks of meat today—over 1 billion pounds in cold storage—this is only about a 2-week supply. There are signs of shortages ahead. The number of cattle on feed on June 1 was 16 percent below last June, and the number of animals put on feed in May was down 40 percent from last May. Specifically, this means fewer fed cattle 6 months hence, therefore less beef, lower quality beef, and higher prices.

Beef is not the only commodity that will be in short supply. Farmers are expected to raise fewer hens and already the hatch has begun declining. This means fewer eggs. Hog numbers are off slightly and, with mounting losses—reported at $30 per head—contraction rather than expansion is expected. Dairy herds have been culled and the high cost of feed has reduced supplemental feeding, resulting in lowered per cow milk production.

We need to move immediately to end today's economic disaster and assure tomorrow's production. Uniquely, we are in a position to reduce two serious problems facing our Nation at this time.

The support levels for our school lunch

programs, needy families, and the elderly have all been eroded by inflation and the disappearance of crop surpluses. We now have meat and animal product surpluses that would, if used for these programs, achieve the comprehensive upgrading that the National Advisory Council on Child Nutrition has urged. We should expand these programs to assure more Americans, and especially our children, adequate food and nutrition.

To accomplish this objective, I urge the immediate purchase of livestock products by the Government for distribution to these programs. The recent Government purchases of ground beef, while appropriate, have been inadequate to either support the livestock industry or supply program needs. Expanded purchases of pork and poultry should be started immediately. And I suggest we consider direct purchase from producers so that the impact will not be lost in the marketing channel, but will go to those people most seriously affected by the crisis.

More stability in the livestock industry is imperative for both producers and consumers. The disruptions that have occurred in the last year will take some time to work out, but we dare not permit the industry to completely collapse during the adjustment period.

Consumers want and deserve stable supplies of meat at fair and reasonable prices. Producers want to supply it, but unless they can maintain economic viability neither objective can be achieved.

Mr. HANSEN. Mr. President, I ask unanimous consent that a statement on this subject by the distinguished Senator from Idaho (Mr. McCLURE) be printed in the RECORD.

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

STATEMENT BY SENATOR McCLURE

Mr. President, I, too, would like to express my concern over the grave situation facing our American beef industry.

First, I applaud the Majority Leader and the other Senators with whom I met last Thursday for their early recognition of this serious problem, and their timely efforts toward corrective action. I support the thrust of those efforts, as I indicated when I cosigned the bipartisan letter to the President last week.

However, while the various actions proposed thus far (i.e., restoration of import quotas, emergency loan programs, increased USDA beef purchases, and an investigation of beef pricing) may provide some relief, they are far short of a total solution.

At the same time, we must also remember that a total solution will not and should not come from Congressional or Administration action. We must be careful, in attempting to rectify this unfortunate situation, to avoid going overboard in reacting to this crisis. After all, Government interference in the market was one of the major causes of the present mess. We must avoid going so far in correcting past mistakes that we create a whole new cycle of Government-sponsored market distortions.

In my judgment, our best hope lies in getting beef markets opened up again. It is downright ridiculous for our cattlemen to be going broke when so many people here and abroad want and need the quality protein American beef provides.

While it may be difficult to restrain ourselves in the face of such serious problems, we must remember that machinery already exists within the Government which is capable of dealing with the majority of our present difficulties. For example, work is already underway in the area of trade negotiations. We are working on reopening the Canadian market—and the signs are very encouraging. Also promising are the signs that some beef exporting countries may voluntarily cut back on their shipments to the United States, as a result of current negotiations. Today's meeting at the White House may contribute significantly to reopening our domestic beef market.

In essence, then, before we create a batch of additional, perhaps unnecessary Government programs, let us place some trust in that machinery which we have already created—give it a chance to work.

Finally, with regard to the American consumer, let us not go too far in attempting to keep beef prices (or any other prices) unreasonably low. After all, in comparison with prices paid in other countries (in relation to consumer income), American beef is still a good value for the American consumer—even at today's prices! If we attempt to lower these prices artificially, whether through Government action, consumer boycotts, or other artificial measures, we will ultimately have serious shortages and even higher prices in the future.

LIVESTOCK PRICES AND THE FARM ECONOMY

Mr. McGOVERN. Mr. President, I am pleased that so many of our colleagues are taking note today of the urgency of the financial situation which is driving so many of our livestock producers to the point of no return.

This afternoon, my Subcommittee on Agricultural Credit and Rural Electrification will be holding an emergency hearing on a loan guarantee program for hard-hit livestock growers and feeders.

It is our hope to have legislation reported to the full Committee on Agriculture and Forestry for consideration on Wednesday, so that something can be reported to the floor within a few days.

We are on the edge of en economic disaster in farm States. Livestock producers already feel the full brunt of the disaster.

But it also threatens every farmer, every rural bank, every small businessman, every working man and woman in South Dakota and similar States.

And it will take the hard work and cooperation of all of us to turn things around.

Cattle and hog producers, for the past year, have paid record high prices for everything they must have—high feed costs, high interest rates, high taxes, high labor costs, high machinery costs.

The cost of production requires, in the case of slaughter cattle, an average of $50 or more per hundred pounds just to break even. But last week, the market fell below $35 per hundred. Many livestock feeders, and many stock growers, have been wiped out. Some cannot come back.

In short, livestock producers have suffered losses totaling into the hundreds of millions of dollars. This is money that will never be spent in retail stores. This is money that will not end up in the paychecks of salaried people.

Literally hundreds of South Dakota livestock producers have talked to me or my staff in the past few days. In nearly 20 years in public life, I cannnot recall a problem which has created such anxiety, such widespread concern.

What do we do about it?

In Washington, we can help—a little. We cannot, however, legislate a $15 or $20 increase in price, as desirable as that might sound. The livestock industry has a well-deserved reputation of standing on its own feet. And even in the present calamitous condition, I have not had one single request from a livestock producer for the Federal Government to bail them out—as we were asked by Lockheed or Penn Central.

But we can provide helping hands.

First, and most important, we can stop the unlimited beef imports which the White House has allowed.

The meat import restrictions which I helped write into law 10 years ago have been suspended by a stroke of the President's pen. Those restrictions can be put back into effect by another Presidential proclamation.

Forty Senators—nearly half the Senate—met last week and agreed unanimously to urge the President to restore meat import quotas.

I have urged even stronger action. I have introduced an amendment which would cut out all beef imports for 60 days to be followed by import quotas.

Second, our bipartisan group of Senators is asking for a Federal Trade Commission investigation of the price spread—between what the livestock feeder gets and what the consumer pays.

And third, we are urging the administration to make emergency purchases in the cattle and hog markets, for meat for the school lunch program, veterans hospitals, and military feeding. These purchases should be at the feedlot—where the problem is—with the Government arranging for custom processing.

I would like to direct a short comment to consumers—whether in Sioux Falls or Rapid City or Detroit or New York.

What happens to the livestock producer has a direct effect on consumer budgets and menus. We are talking about the survival of an industry which has provided the highest quality meat in the world, at one of the cheapest prices in the world.

If the livestock industry does not survive and prosper, there will be little if any meat for the supper tables of Boston and San Francisco—or it will cost $5 a pound.

We are in this together—in a fight for survival of an industry which is the foundation of our food economy. We need to bring our best thinking, and hardest efforts, to focus on a solution. On behalf of every livestock producer in our State and our Nation, I ask the understanding, support, and help of every Member of the Congress.

THE PRESENT LIVESTOCK CRISIS

Mr. HUMPHREY. Mr. President, the present livestock crisis arises because cattle producers continue to lose $125 to $200 per head of fattened cattle. Cattle producers have lost money before, but the market has been growing worse

rather than bounding back as in previous cases.

The blame for this situation often is placed on the fall, 1973, price freeze on red meat. It is clear that this action helped create our present problem by encouraging producers to hold their cattle with the expectation of receiving higher prices at a later date.

That price freeze and the response of consumers in boycotting meat helped bring the present glut on the market. And it also appears that there is a significant quantity of meat on hand in cold storage, which further complicates any attempt to ease the present problem.

Costs of production also have gone up, leading to further losses between the return on the fattened cattle and the investment required to produce the finished product. Feed costs have increased as have gasoline and hay. Twine, which was around $8 last year, now is around $30.

While prices for fattened cattle have been dropping sharply, meat prices in the grocery stores have gone down only slightly.

A series of meetings already have been held to focus attention on the problem. The crisis has also spread to poultry and hogs.

I am cosponsoring a bill, S. 3606, with Senator McGovern to deal with this problem. This and other bills will be the subject of hearings commencing on June 17, by the Agricultural Credit and Rural Electrification Subcommittee of the Senate Committee on Agriculture and Forestry.

It is clear that a number of issues must be addressed if this problem is to be resolved. Our meat exports to Canada, Japan, and European countries have been reduced while imports have been increased. Quotas on imports were lifted by the administration, and they can and should be reimposed. We also may need to establish temporary embargoes.

Credits and guarantees also will be needed to prevent bankruptcies of livestock producers. This is the central focus of the proposed legislation.

The Government also should step up purchases of livestock to meet Defense and school lunch needs. These purchases should be of live cattle and not just meat now in storage. We need to get some of the excess cattle off of the market if the purchases are to help solve the problem.

The American consumers need to be made aware of the problem and the long-range implications if steps are not taken to rescue the cattle industry.

We also need to take a serious look at the economics of the industry to see whether excess profits are being made by anyone. And, we should obtain accurate information on actions that are required to put the industry on a solid footing for the long run.

It is urgent that we act immediately. The situation is critical and there can be no delay.

Mr. BURDICK. Mr. President, the American cattlemen and other producers of livestock are in a state of economic chaos. In 1964 Congress passed Public Law 88-482 providing that imported meat products shall not exceed a quantity determined according to a prescribed formula. But the law also included a provision that the President can suspend these restrictions on imports. President Nixon suspended import quotas in mid-1972. The limitations were suspended again in 1973, and early this year, he announced that quotas would again be suspended.

This year's total quota law imports are estimated by the U.S. Department of Agriculture to be at 1.575 billion pounds, up considerably from the actual 1973 imports of 1.354 billion pounds—that being a record-setting year. What makes the situation so ironic, is that the United States is now the only major beef-eating nation in the world with its borders wide open to unrestricted beef imports. The loss factor for many cattle feeders since last September is $100 to $145 a head for each fattened animal sent to market. In close relation to this problem, the feeding industry has lost more than $1.5 billion in the last 9 months. I am aware of cattlemen and small cattle-feeding operations in North Dakota that can lose upwards to $45,000 to $50,000 because of this problem, a predicament that can bring many of them to economic disaster.

This comprehensive price problem is a definite danger to the future of our total beef cattle operations, and thus affects the consumer beef supply as well. The economic stability of the domestic beef cattle industry is based on decisive and positive programs. Currently, we have not been given sound policies and answers in determining the economic fate of American livestock producers. Questions are unanswered as to the intentions of the present administration concerning programs to stabilize livestock prices. The administration has apparently not made any effort to remove barriers to exports of American livestock and livestock products. And finally, we are unclear as to the Government's intention in regard to reimposing limitations on the importation of meats as provided in the 1964 law.

In light of the current problems, I ask that certain measures be taken to alleviate the situation. I support and recommend the passage of Senate bill 3605 which would provide emergency assistance to individuals engaged in the cattle raising business. Furthermore, I ask for the reinstatement of import quotas on meat. Along these same lines I am asking the President to take immediate action to reimpose meat import restraints. This could mean a reduction of almost 450 million pounds from the current estimated total. I also encourage and applaud the announcement that the Federal Trade Commission is plannnig an investigation of the food industry. The livestock trade is unquestionably distressed when they see retail prices for meat remain high while their product has fallen to a deplorable level.

In conclusion, Mr. President, reaching solutions to problems facing the livestock industry has to be given high priority.

Mr. HARTKE. Mr. President, it is now clear that immediate action must be taken to reverse the falling price of beef and prevent the imminent threat of widespread bankruptcy among cattle feeders.

As of May 1, 1974, the United States had 1.029 billion pounds of beef, pork, and veal in freezer storage. That figure is up 46 percent from the year earlier, and is the largest stock in 22 years. New figures to be released for June will show an even greater freezer supply. At the same time, prices have fallen. Choice beef now wholesales in Chicago for about 65 cents a pound, down from 91 cents on February 5 of this year. Pork and poultry prices have also dropped. Unfortunately, a substantial portion of these price decreases have not been passed along to the consumer, thus continuing to dampen the demand for beef.

While both consumer demand and beef production have dropped off in the United States, other countries such as Japan and the Common Market nations are producing more than ever, leading to an even greater world surplus.

Feedlots have been hit especially hard. Many of the lots with a capacity to handle from 8,000 to 16,000 cattle were capitalized by investors who are now withdrawing their money, and the absence of feedlots of this size could leave a noticeable gap between the relative handful of giant feedlots and the far more numerous farm and ranch operations.

Mr. President, last week, following a meeting called by the distinguished majority leader, Mr. Mansfield, I joined with many of my colleagues in addressing a written appeal to the President to take immediate action to alleviate this problem. I repeat that appeal today in the hope that we can act before it is too late.

Mr. JACKSON. Mr. President, as the summer approaches, an economic tornado seems more likely than ever to sweep the Nation's livestock industry into serious financial trouble.

The papers today are full of reports of cattlemen losing between $100 and $300 per animal. My conversations with ranchers in the Richland, Wash., area have revealed that they are working under a $250 per head deficit. Hog producers are short by $30 per hog.

Across the Nation, fed and feeder cattle prices are down by a full 25 percent in the last 6 months; hog prices have plummeted 43 percent.

It is easy to portray the problem as one limited to the livestock industry; but such an approach is dangerous.

The same storm which threatens bankruptcy on scores of smaller breeders and feeders of cattle and hogs endangers the stability of the financial community which has supported this industry. It also holds the potential for further meat shortages and another round of escalating meat prices for the consumer.

Unless action is initiated and put into operation soon—rumors of cattle and hog producers selling from breeder stock will become a reality—bankruptcy will topple many producers—Americans will feel the repercussions in the form of less beef and pork for the meat counters of the future—new shortages will certainly force more inflation in meat prices.

Very simply, the livestock trade is confronted with a situation of abundant supply and inadequate consumer de-

mand. Steps must be taken to bring supply and demand closer to an equilibrium for the sake of the producer and the consumer.

I was among the more than 30 Senators who met last Wednesday morning to discuss the problems of this industry. As a result of our meeting, a letter was sent to the President urging him to take two steps to bring the situation in hand. One is to prohibit the dumping of excess world meat supplies on U.S. markets. The other calls for a step-up in government purchases of red meat and poultry for the Armed Forces and school lunch program.

The real irony of today's situation is that the cattlemen are getting the lowest price in 10 years for their animals. Yet, housewives are continuing to pay beef prices at the supermarket that are at near all-time highs.

By bringing prices at the meat counters down, consumers who were previously unable to purchase meat or who reduced their consumption of the product will be better able to afford it. With lower retail prices, demand will rise and, in turn, some of the excess supply will be eliminated.

This, Mr. President, should be the crux of any program to help the food-producing sector of our economy back onto its feet. In light of this, I have asked the Federal Trade Commission to immediately undertake a 30-day emergency investigation to determine the distribution of income between farm, processing and retail levels and to make these findings known to me in a written report no later than July 15, 1974. I specifically want to know why, with the farm price of beef at the lowest level in 10 years, has not the consumer benefited from excess meat and poultry stocks and the reduced prices paid to the Nation's farmers? Further, we should know whether any price gouging or other acts have taken place at any point along the marketing chain which might warrant further investigation or possible criminal prosecution. Such information is crucial if we are to develop realistic and far-sighted solutions to the problems of the livestock industry and of the meat-buying public.

Mr. President, I ask unanimous consent that the contents of my letter to Federal Trade Commission Chairman Lewis A. Engman be printed in the RECORD.

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

JUNE 13, 1974.

Hon. LEWIS A. ENGMAN,
Chairman, Federal Trade Commission, Washington, D.C.

DEAR MR. CHAIRMAN: The livestock industry today is faced with a crisis of grave proportions. Without swift and effective action by the government, many of the nation's smaller livestock producers are destined for certain bankruptcy, threatening not only the future of the livestock trade, but also the financial stability of the lending institutions that have supported them. Thus, it is crucial that firm steps be taken now to restore the industry to its feet. Failure to do so will be felt as well by the consuming public which will find meat in short supply in future years, driving prices higher still.

The rules of basic economics state that an oversupply of a particular commodity should result in lower prices and an increase in consumer demand in reaction to the price change. This rule certainly applies to the beef, hog and poultry producers who are suffering from a domestic oversupply of their products and are not getting enough for their animals to cover production costs. The beef producer, in fact, is receiving the same for his cattle as he did 10 years ago. What applies to the producer should be applicable throughout the marketing chain, yet, for some reason, the consumer is still paying inflated prices for his meat and poultry. Why hasn't the consumer benefited from excess meat and poultry stocks and the reduced prices paid to the nation's farmers?

I am asking that the Federal Trade Commission immediately undertake a 30-day emergency investigation to determine the distribution of income between farm, processing and retail levels and to make these findings known to me in a written report no later than July 15, 1974. This report should also reveal whether any price gouging or other acts have taken place at any point along the marketing chain which might warrant further investigation or possible criminal prosecution. Such information is vital if we are to develop realistic and far-sighted solutions to the problems of the livestock industry and of the meat-buying public.

Sincerely yours,

HENRY M. JACKSON,
U.S. Senator.

THE OIL AND GAS DEPLETION ALLOWANCE

Mr. TOWER. Mr. President, I rise to address the Senate concerning the current and remarkable onslaught on the oil and gas depletion allowance. At the outset it seems logical to define the nature and functions of depletion, for, once understood, that answers the attacks of the various critics of the allowance for depletion.

It is fundamental to our concept of tax equity that capital should not be taxed. Because we claim to believe in free enterprise and, therefore, nontaxation of capital, we permit a manufacturer—by way of example—to recover his capital outlays from income by means of a deduction for depreciation. Thus a capital asset, a machine for example, is depreciated by taking its book cost, dividing that by the approximate useful life of the asset, and permitting the quotient to be taken as a deduction over the period of years of the machine's useful life.

Section 611 of the Internal Revenue Code follows this pattern through a process called cost of depletion. However, there are problems with cost depletion which basically revolve around the determination of cost. It has become largely accepted in recent years that dry holes represent capital outlays just the same as producing holes. The anomaly is that a dry hole in north Texas can not sensibly be included as part of the cost of a producing well offshore Louisiana.

So the question arises: How do we allow the producer to recover capital expended on dry holes? Another problem is value. In the case of the machine, price undoubtedly reflects value. But as to the producing well, how does one know its actual value? There is no way that one knows for certain what the recoverable reserves from a producing well in a given reservoir will be. There is no question but that the reservoir is a nonrenewable capital asset. So the issue is how do we allow the producer to recover the full, untaxed value of the capital asset when we do not know what that value is. The answer is to permit the property owners to deduct a percentage of the gross income realized from the reservoir.

The same treatment, in varying percentages, is given to the rest of the extractive industries. The high number given oil and gas reflects the high percentages of holes that are not commercial producers. About eight of nine exploratory holes are completely dry. About 1 in 50, or 2 percent are commercial producers. And between 75 and 85 percent of all exploratory wells are drilled by independent producers, which are the individuals and companies that engage solely in the business of producing oil and gas.

Several points become apparent when one examines the glib, and usually irrational, criticisms of the depletion allowance. First, the attacks for the most part are designed to say that depletion itself is conceptually bad policy.

If that is true, then why do the critics propose only to withdraw the depletion allowance for oil and gas? Conceptual criticisms apply to the depletion allowance as a whole. In my opinion, the choice we make should not single out the oil and gas industry, for to do so would be the rankest discrimination. Furthermore, to do so betrays the real motive for attacks on the depletion allowance: blind hatred, rather than reason.

Another question that occurs is if we get rid of depletion, why should we not substitute for the depletion allowance the election under section 631 of the code which permits capital gains treatment of income from the sale of timber, coal and iron ore? That is but another way of recognizing the depletable nature of the asset.

Section 632 of the code sparks considerable interest. Underpinning all of this hysteria over the depletion allowance is the claim that oil and gas prices are too high and profits are, say some of the more strident, obscene. This condition has come about, it is said, because the industry is noncompetitive.

Section 632 sets the maximum tax on a bona fide sale of an oil and gas property at 33 percent. I am told that if the depletion allowance is lost, the major companies will not be as badly impacted as the independents. I am also told that the independents will be better advantaged, insofar as their capital is taxed, by selling their properties to a major company and taking the treatment under section 632. The result: withdrawal of the depletion allowance will create the noncompetitive industry that some claim now to exist.

Some will claim, of course, that such an incentive should be removed from the code. The short answer to that is that the effect will be to kill the independent absolutely. It would merely increase the disincentive to remain in the business.

All of this discussion so far is fine intellectual exercise. However, here is the gut question: How will withdrawal of the

depletion allowance increase oil and gas supplies? More precisely: Can the proponents of withdrawal guarantee that, in this time of crisis, their action will not exacerbate the shortage?

The answer is that, of course, they cannot. There is a difference of great magnitude in this time of the energy crisis between vague claims that we do not know whether the depletion allowance is an incentive to production and the fact that we do not know—and there is all the reason in the world to believe to the contrary—whether repeal of depletion on oil and gas properties will amplify the shortfall. The burden of proof is squarely on the proponents, and they alone shall bear the blame for their actions.

One thing becomes absolutely necessary should the depletion allowance be withdrawn: Price controls on crude oil and gas must also be withdrawn. The critics claim the allowance is a subsidy. If that is so, it presently provides income that is not reflected in price. If the thought is that the user must pay the full bill for his energy use, the producer must be allowed to recover his full economic costs. In the event the depletion allowance is withdrawn, the producer will only be able to do so if price is left to find its own level. That will occur as the world is in a surplus position at present, there is no embargo, and the price of foreign crude is higher than that of domestic. In fact to release the price would exert some healthy downward pressure on world prices over the long run.

As a closing note, I recall the adage that the road to hell is paved with good intentions. I am certain that the desire to provide exemption increases to American families is well intentioned. But to do it at the expense of aggravating the petroleum shortage is absolutely senseless. If petroleum prices are permitted to rise, the loss of depletion will be reflected in prices sufficiently higher to eat away a large portion of the tax break. If they are not permitted to rise, we will be able to save by not buying the petroleum, petroleum product, natural gas and electricity that is not available, or by paying a higher price for externally produced sources of energy.

CONSUMER PROTECTION

Mr. WILLIAM L. SCOTT. Mr. President, there is a measure coming before the Senate soon of considerable public interest—the Consumer Protection Agency Act, S. 707. Businessmen have expressed their concern and a number of Senators have spoken on this far-reaching bill that would give broad, sweeping powers to a consumer advocate. I believe each of us needs to reflect seriously on this bill before and during its consideration in the Senate. In reading the committee report, it is made to appear that public agencies do not speak for or protect the consumer or the public; that Government agencies are captive of the business organizations they were created to regulate.

Perhaps we should reflect briefly, Mr. President, on the basic concept of our Government. We like to believe that the only purpose for government at any level is to serve people. That the sovereignty or ultimate will resides in the people collectively, that the people can bring about a change in government when it is not representing the public will. If a given Government agency is not acting in the public interest, it seems reasonable to replace the executive head, the person in charge, with one who will represent the public interest.

I believe we should also reflect on what a consumer is. The act defines a consumer as "any individual who uses, purchases, acquires, attempts to purchase or acquire, or is offered or furnished any real or personal property, tangible or intangible goods, services, or credit for personal, family, or household purposes." This appears to include everyone. I believe serving the consumer and serving the public interest is the same. All of us are consumers. It also seems obvious that every Government official should be imbued with the public interest, regardless of the agency or the branch of Government in which he serves. But we have no assurance that an individual selected to head a consumer protection agency would be more representative of the public interest than the head of any of our existing agencies of Government. However, to create a consumer agency to look over the shoulder of existing agencies implies that they are not doing their jobs and is an unwarranted, broad smear of existing Government departments and agencies. Perhaps, in exercising legislative oversight, we should examine into the various Government agencies, change the law where necessary and with the cooperation of the executive branch, remove from office anyone who is not acting in the public interest. It certainly would have an adverse effect upon a given agency to have a public "consumer advocate" appealing a decision it made to the courts and would result in one agency contesting the action of another agency, the United States against the United States. In my opinion, this is poor administrative procedure and I believe if we look at the various sections of this bill, we will see example after example of something approaching common law barrotry—needlessly stirring up of strife, quarrels and litigation, controversy and division within our Government. We should ask if this is in the public interest? And think hard and long before adopting S. 707.

Certainly we do not want to create a new Government agency, a Frankenstein monster, over which even the Congress will have little control. I would hope that the leadership will not schedule this bill for floor consideration until after the Independence Day recess and that when it does come before the Senate, we will have a full discussion, lasting over a period of days, in which individual Members will have an opportunity to fully air their views.

During the debate we might also consider the proper function of an individual in looking after his own interest, the function of the State as well as the proper function of the Federal Government. More proper to have it at the State level, closer to the individual citizen, and more familiar with his views than an appointed Federal official?

Under the statement of findings, the bill states that consumers suffer because of lack of effective representation before Federal agencies and courts, giving the appearance that only the Federal Government can protect the individual from the Federal Government. It also finds that a new Government agency is necessary to represent the interest of consumers before Federal agencies and courts and that this new agency should be an independent one established for the sole purpose of representing the consumer. It would create another layer of Government to advocate the cause of the consumer, to intervene on behalf of the public in matters before an existing Government agency. I find no provision for the policing or any check on the Consumer Protection Agency. Apparently the Administrator of that Agency would determine what is and what is not in the interest of the American consumer or the general public. For example, on page 52 of the bill, the statement is made that it is the purpose of the act to promote protection of consumers with respect to, among other things, the prevention of unfair and deceptive trade practices. Yet, one of the functions of the Federal Trade Commission is to safeguard the consuming public by preventing the dissemination of false or deceptive advertisements of food, drugs, cosmetics and therapeutic devices and other unfair and deceptive practices. I understand that to some extent this duplicates the function of the Food and Drug Administration but that these two agencies amicably resolve the jurisdictional conflict between themselves. Yet, the act would create a third agency to represent the consuming public. Are we to say that the Federal Trade Commission is not protecting the public against unfair and deceptive acts and practices as required by law? The proposal permits the Consumer Protection Agency to intervene not only among Government agencies but in the courts, including the Supreme Court of the United States.

Having worked for a number of years with the Department of Justice, I am aware that it has plenary authority under the law and Executive orders to represent the Government in suits to which the Government is a party. The Congress should be very cautious in dividing this authority to represent the Federal Government in the courts. To do so might well result in inconsistencies of Government positions before the courts. Certainly it would be an imposition on the American taxpayer to have the Department of Justice file one set of briefs and the Consumer Protection Agency, at

taxpayers' expenses, to file a brief representing a different point of view.

It is interesting to note on page 59 of the bill that the function of the Administrator would be "to inform the appropriate committees and Members of Congress of the activities of the agency and testify, when asked or on his own initiative, before the committees of Congress on matters affecting the interest of consumers."

This appears to mean that Congress would create an agency and give the Administrator the authority to lobby with individual Congressmen and before our various committees regarding his concept of what's best for the American public.

As I understand the proposal, the new agency would have no regulatory function but would intervene in an effort to see that existing agencies are properly performing their prescribed duties. For example, on pages 59 and 60 of the bill, it is provided that the Administrator shall include in his annual report a statement on—

> The performance of Federal agencies and the adequacy of their resources in enforcing consumer protection laws and in otherwise protecting the interest of consumers, and the prospective results of alternative consumer protection programs;

Would this not also duplicate the watchdog function of the General Accounting Office and the Office of Management and Budget? Are we to assume that Americans are unable to look after their own personal affairs and that a bureacratic representative must appear before a Federal regulatory agency, a court, or a committee of the Congress to protect their interest? We used to pride ourselves on the self-reliance of the average American. Over the years we have achieved higher educational levels but this act would have you believe that we are now less able to look after our own interests.

There was a time in American history when business enterprise was unregulated but that certainly is not true today. Not only has the Government, over the years, regulated business more and more but I believe that the business community has become more conscious of the public interest. This act would have you believe that all businessmen are out to swindle the public, that the individual is unable to protect himself, that existing Federal agencies are incapable or unwilling to protect the consumer and that it is necessary to create another layer of bureaucracy not held captive by private industry. Of course, the question could well be raised, if the same reasoning is adopted, as to how soon the consumer protection agency would be captured. It seems to me that this proposal ignores the market processes, the competition between various producers of goods and services which helps to protect the American consumer, who can compare the various products on the market to determine whether he wants to purchase one or another, who can consider the reputation of the manufacturer for competence and integrity.

If we assume as this proposal appears to do, that existing Government agencies are not performing the functions for which they were created, if there is malfeasance in office among the officials of regulatory agencies, it would seem preferable to fire the officials than to create another level of government to protect the public. The concept of creating an additional level of government when confidence is lost could go on ad infinitum. There is no assurance that the administrator of the Consumer Protection Agency would be any more dependable than anyone else. And, I wonder if the individual Senators and various committees of the Congress need another Government bureaucrat to appear and advise them on what is best for the American people.

My mail at least indicates that the people of Virginia are not inhibited in telling me what they think about pending legislation and the various issues confronting the country. I wonder if the same is not true of the citizens of each State of the Union. Not only would the administrator of this proposed new agency tell the Congress, the various departments and agencies of the Government and the courts what is best for the consumer or the public but once he is appointed for a term concurrent with that of the President, he could be removed only for inefficiency, neglect of duty or malfeasance in office, with the power to decide what is best for all of us. He would be an advocate of what he believes to be in the public interest and his determination would not be reviewable by any agency of Government, any court, or any instrumentality during his term of office. I doubt that we could find any individual with the complete knowledge necessary to perform the function of this office.

It would not be appropriate, Mr. President, to go into each provision of the proposal before the measure comes to the floor for consideration and my remarks only touch on the bill in a very general way. But before we act upon such a far-reaching proposal and establish a tax-supported agency purportedly to protect the consumer, I hope we will examine every phase of the bill. It may well be that this proposal would act counter to its intention and create such uncertainty and chaos within the Government, among businessmen and in the marketplace, that the cost of goods and services would be increased, taxes would be raised and that it would be harmful to the very one it is intended to help—the consumer or the individual American citizen. Its broad scope requires the most careful examination.

Mr. ALLEN. Mr. President, will the Senator from Virginia yield?

Mr. WILLIAM L. SCOTT. I am glad to yield to the Senator from Alabama.

Mr. ALLEN. I want to commend the Senator from Virginia for his very eloquent and penetrating analysis of this bill. There is a chance of its being called up later this month or next month. I know that the Senator's fine remarks will have great influence on the membership and I am hopeful that he will expand on his views regarding the bill when it comes before the Senate and that he will make the same arguments at that time that he has so forcefully made on this occasion.

I commend the distinguished Senator from Virginia.

Mr. WILLIAM L. SCOTT. Mr. President, I appreciate the kind remarks of my colleague from Alabama. I know that he shares the same concerns I have about the bill. I feel that we should bring every point in the bill that we feel is against the public interest to the attention of individual Senators.

The bill should be defeated.

ORDER OF BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business; and I yield back the time that was under my control.

The PRESIDING OFFICER. Without objection, it is so ordered. Is there morning business?

ORDER FOR RECOGNITION OF SENATOR BARTLETT TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent, on tomorrow, after the two leaders or their designees have been recognized under the standing order, that the distinguished Senator from Oklahoma (Mr. BARTLETT) be recognized for not to exceed 10 minutes.

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

ORDER FOR RECOGNITION OF SENATOR PROXMIRE ON WEDNESDAY NEXT

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that on Wednesday next, after the two leaders or their designees have been recognized under the standing order, the distinguished Senator from Wisconsin (Mr. PROXMIRE) be recognized for not to exceed 15 minutes.

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

ORDER FOR ADJOURNMENT TO 10 A.M. TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that, when the Senate completes its business today, it stand in adjournment until 10 a.m. tomorrow.

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

ORDER FOR TRANSACTION OF ROUTINE MORNING BUSINESS TOMORROW AND WEDNESDAY

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that after the orders for the recognition of Senators on tomorrow, there be a period for the transaction of routine morning business for not to exceed 15 minutes, with statements therein limited to 5 minutes.

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

Mr. ROBERT C. BYRD. Mr. President, I make the same request for Wednesday.

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

ORDER FOR ADJOURNMENT TO 10 A.M. ON WEDNESDAY, THURSDAY, AND FRIDAY OF THIS WEEK

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business tomorrow, and on Wednesday, and on Thursday, it stand in adjournment, respectively, until the hour of 10 a.m. on Wednesday, Thursday, and Friday.

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

COMMUNICATIONS FROM EXECUTIVE DEPARTMENTS, ETC.

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

PROPOSED LEGISLATION BY THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

A letter from the Secretary of Health, Education, and Welfare transmitting a draft of proposed legislation to repeal certain acts making permanent appropriations and authorizing annual appropriations for the support of colleges of agriculture and mechanic arts (with accompanying papers). Referred to the Committee on Agriculture and Forestry.

APPROVAL OF LOAN BY THE REA

A letter from the Administrator of Rural Electrification transmitting, pursuant to law, a statement in connection with the approval of a loan to Buckeye Power, Inc., of Columbus, Ohio (with accompanying papers). Referred to the Committee on Appropriations.

PROPOSED PROJECTS BY THE ARMY RESERVE

A letter from the Deputy Assistant Secretary of Defense transmitting, pursuant to law, a list of facilities projects proposed to be undertaken for the Army Reserve (with accompanying papers). Referred to the Committee on Armed Services.

PROPOSED LEGISLATION BY THE ENVIRONMENTAL PROTECTION AGENCY

A letter from the Administrator of the Environmental Protection Agency transmitting a draft of proposed legislation to extend the Marine Protection, Research and Sanctuaries Act for 2 years (with accompanying papers). Referred to the Committee on Commerce.

ALL ELECTRIC HOMES, ANNUAL BILLS, 1973

A letter from the Chairman of the Federal Power Commission transmitting a copy of the publication "All Electric Homes, Annual Bills, 1973" (with an accompanying report). Referred to the Committee on Commerce.

REPORT OF THE ADVISORY COMMISSION ON INTERNATIONAL EDUCATIONAL AND CULTURAL AFFAIRS

A letter from the Chairman of the Advisory Commission on International Educational and Cultural Affairs transmitting pursuant to law, the annual report of the commission for the calendar year 1973 (with accompanying report). Referred to the Committee on Foreign Relations.

REPORTS OF THE COMPTROLLER GENERAL

A letter from the Acting Comptroller General of the United States transmitting, pursuant to law, a report entitled "Improvements Needed in U.S. Contractor Training of Republic of Vietnam Armed Forces (with an accompanying report). Referred to the Committee on Government Operations.

A letter from the Acting Comptroller General of the United States transmitting, pursuant to law, a report entitled "Legislative Ceiling on Expenditures in Laos Reduced Costs but the Ceiling Was Exceeded," (with an accompanying report). Referred to the Committee on Government Operations.

A letter from the Acting Comptroller General of the United States transmitting, pursuant to law, a report entitled "Improving Administration of the Uniform Plan of Health Insurance for Federal Employees Who Retired Before July 1, 1960" (with an accompanying report). Referred to the Committee on Government Operations.

A letter from the Acting Comptroller General of the United States transmitting, pursuant to law, a report entitled "Review of Selected Communicable Disease Control Efforts" (with an accompanying report). Referred to the Committee on Government Operations.

A letter from the Acting Comptroller General of the United States transmitting, pursuant to law, a report entitled "Identifying and Eliminating Sources of Dangerous Drugs: Efforts Being Made, but Not Enough" (with an accompanying report). Referred to the Committee on Government Operations.

PROJECT PROPOSAL OF THE NEVADA IRRIGATION DISTRICT, GRASS VALLEY, CALIF.

A letter from the Acting Deputy Assistant Secretary of the Interior reporting, pursuant to law, on the receipt of a project proposal for a loan of $1.6 million to supplement its original loan from the Nevada Irrigation District of Grass Valley, Calif. Referred to the Committee on Interior and Insular Affairs.

PROPOSED CONCESSION CONTRACT AT LAKE MEAD NATIONAL RECREATION AREA

A letter from the Deputy Assistant Secretary of the Interior transmitting, pursuant to law, a copy of a proposed concession contract for continuation of certain services to the public at the Boulder Beach Site within Lake Mead National Recreation Area (with an accompanying report). Referred to the Committee on Interior and Insular Affairs.

AUDIT REPORT OF THE NAVAL SEA CADET CORPS

A letter from the Chairman of the Board of the U. S. Naval Sea Cadet Corps transmitting, pursuant to law, the annual audit report for the fiscal year ending March 31, 1974 (with an accompanying report). Referred to the Committee on the Judiciary.

ORDERS ENTERED BY THE IMMIGRATION AND NATURALIZATION SERVICE

A letter from the Commissioner of the Immigration and Naturalization Service transmitting, pursuant to law, copies of orders entered by the Service in the case of certain persons (with accompanying papers.) Referred to the Committee on the Judiciary.

REPORTS CONCERNING VISA PETITIONS

A letter from the Acting Commission of the Immigration and Naturalization Service transmitting, pursuant to law, reports concerning visa petitions which have been approved (with accompanying papers). Referred to the Committee on the Judiciary.

REPORT OF THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

A letter from the Secretary of Health, Education, and Welfare transmitting, pursuant to law, a report on the criteria to be used in the designation of medically underserved areas and population groups (with an accompanying report). Referred to the Committee on Labor and Public Welfare.

PROPOSED LEGISLATION BY THE ENVIRONMENTAL PROTECTION AGENCY

A letter from the Environmental Protection Agency transmitting a draft of proposed legislation to extend provisions of the Federal Water Pollution Control Act, as amended, for 2 years (with accompanying papers). Referred to the Committee on Public Works.

PROPOSED LEGISLATION BY THE ENVIRONMENTAL PROTECTION AGENCY

A letter from the Administrator of the Environmental Protection Agency transmitting a draft of proposed legislation to extend the Solid Waste Disposal Act, as amended, for 1 year (with accompanying papers). Referred to the Committee on Public Works.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

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

S. 3474. A bill to amend the District of Columbia Unemployment Compensation Act (Rept. No. 93-935); and

S. 3476. A bill to amend section 1291 of the Act of March 3, 1901, relating to marriage licenses in the District of Columbia (Rept. No. 93-936).

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

S. 2581. A bill to amend the Randolph-Sheppard Act for the blind to provide for a strengthening of the program authorized thereunder, and for other purposes (Rept. No. 93-937).

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

S. 3188. A bill to establish the Sewall-Belmont House National Historic Site, and for other purposes (Rept. No. 93-938).

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. TOWER:

S. 3651. A bill to amend the Public Health Service Act to restrict the recovery of Federal funds where such funds shall be applied to approved projects within the same State. Referred to the Committee on Labor and Public Welfare.

By Mr. ERVIN:

S. 3652. A bill to ensure the separation of constitutional powers and to ensure the administration of justice with respect to the commission of crimes by officers and em-

ployees of the executive branch of the Federal Government, and with respect to Federal elections, to remove enforcement reponsibilities in such cases from individuals with actual or apparent conflicts of interest, and to establish an independent Public Prosecutor. Referred to the Committee on the Judiciary.

By Mr. MAGNUSON (by request):

S. 3653. A bill to amend the Rail Passenger Service Act of 1970 and for other purposes. Referred to the Committee on Commerce.

By Mr. BELLMON (for himself and Mr. BARTLETT):

S. 3654. A bill to amend the Occupational Safety and Health Act of 1970, and for other purposes. Referred to the Committee on Labor and Public Welfare.

By Mr. BELLMON:

S. 3655. A bill to amend the Food Stamp Act of 1964. Referred to the Committee on Agriculture and Forestry.

By Mr. NELSON (for himself, Mr. MONDALE, and Mr. COOK):

S. 3656. A bill making appropriations for the fiscal year ending June 30, 1975, for reimbursement of costs of construction of treatment works pursuant to the Federal Water Pollution Control Act. Referred to the Committee on Appropriations.

By Mr. RIBICOFF (for himself, Mr. WEICKER, Mr. GRIFFIN, Mr. MCINTYRE, Mr. COTTON, Mr. HART, Mr. JAVITS, Mr. PELL, and Mr. PASTORE):

S. 3657. A bill to exempt State lotteries from certain Federal prohibitions, and for other purposes. Referred to the Committee on Finance.

By Mr. BIDEN:

S. 3658. A bill to protect purchasers and prospective purchasers of condominium housing units, and residents of structures being converted to condominium units, by providing for disclosure and regulation of condominium sales by the Secretary of Housing and Urban Development. Referred to the Committee on Banking, Housing and Urban Affairs.

By Mr. WEICKER (for Mr. COOK):

S. 3659. A bill to amend the Act entitled "An act to incorporate the Little League Baseball, Incorporated", approved July 16, 1964 (78 Stat. 325). Referred to the Committee on the Judiciary.

By Mr. STEVENSON (for himself, Mr. JACKSON, Mr. CRANSTON, Mr. ROBERT C. BYRD, Mr. JAVITS, Mr. PROXMIRE, Mr. MATHIAS, Mr. CHURCH, Mr. RIBICOFF, Mr. MONDALE, Mr. HUMPHREY, Mr. KENNEDY, Mr. NELSON, Mr. JOHNSTON, Mr. DOMENICI, Mr. EAGLETON, Mr. TUNNEY, Mr. MCINTYRE, Mr. BIDEN, and Mr. CASE):

S. 3660. A bill to amend the Export-Import Bank Act of 1945, as amended (the "Act"). Referred to the Committee on Banking, Housing and Urban Affairs.

By Mr. MONTOYA (for himself and Mr. DOMENICI):

S.J. Res. 215. A joint resolution designating the first Saturday in April of each year as "National Brotherhood Day." Referred to the Committee on the Judiciary.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. TOWER:

S. 3651. A bill to amend the Public Health Service Act to restrict the recovery of Federal funds where such funds shall be applied to approved projects within the same State. Referred to the Committee on Labor and Public Welfare.

Mr. TOWER. Mr. President, I am today introducing a bill to amend the Public Health Service Act to restrict the recovery of Federal funds where such funds shall be applied to approved projects within the same State.

Mr. President, the Hill-Burton hospital construction program which first began in 1946 was extended for an additional 5 years by the Hospital and Medical Facilities Amendments of 1964, Public Law 88–443. In 1968, the Hill-Burton program was extended for 1 year by Public Law 90–574, and for 3 years in 1970 by Public Law 91–296. In the immediate days ahead, the Senate will again take under consideration legislation relating to this program.

As my colleagues are aware, the Hill-Burton program has provided a systematic method of planning and constructing hospitals and other kinds of health facilities. Through this program, Federal funds have been used for projects that have produced literally thousands of general, mental, tuberculosis, and long-term care beds. In addition, this program has been responsible for the construction of rehabilitation centers, public health centers, diagnostic and treatment centers, health laboratories, and other similar outpatient facilities.

The Hill-Burton program has made a remarkable impact on the construction of hospitals and other health facilities. Yet, there are areas in my own State and in our Nation that are still in need of additional general hospital beds and facilities. Furthermore, there is a continuing need for modernization and renovation of hospitals and health facilities, and for long-term health care facilities also.

The legislative history of the Hill-Burton program demonstrates that it was the intent of the Congress, in continuing the program, to meet the needs of the remaining areas of general hospital bed shortages throughout the country. The Secretary of Health, Education, and Welfare, has responsibility for carrying out the intent of Congress as authorized by this legislation. In my view, that responsibility should also provide the Secretary of Health, Education, and Welfare with the necessary legal authority to waive recovery of a Federal grant made to a public or nonprofit hospital or medical facility, under title VI of the Public Health Service Act, if the Secretary should determine that the merits of the particular case would further the intent of the program as approved by Congress, in spite of the fact that such nonprofit or public facility is sold to proprietary interests. At present, the Secretary has no authority under the act to make an administrative decision, regardless of the circumstances, in a case where a charitable institution. financed under the Hill-Burton program is sold to proprietary interests.

The bill I am introducing today would authorize the Secretary to consider and possibly render an administrative decision to waive the right of the United States to recover Federal funds provided such funds are applied to another Hill-Burton project within the same State under conditions consistent with provisions of the act.

I urge my colleagues to give this legislation their most careful consideration. I ask unanimous consent that the text of 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. 3651

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 609 of the Public Health Service Act (42 U.S.C. 2911) is amended to read as follows:

"RECOVERY

"SEC. 609. (a) Except as provided for in subsection (b), if any facility with respect to which funds have been paid under section 606 shall, at any time within 20 years after the completion of construction—

(1) be sold or transferred to any person, agency, organization—

(A) which is not qualified to file an application under section 605, or

(B) which is not approved as a transferee pursuant to section 604, or its successor, or

(2) cease to be a public health center or a public or other nonprofit hosiptal, outpatient facility for long-term care, or rehabilitation facility.

the United States shall be entitled to recover from either the transferor or transferee (or, in the case of a facility which has ceased to be public or nonprofit, from the owners thereof) an amount bearing the same ratio to the then value (as determined by the agreement of the parties or by action brought in the district court of the United States for the district in which the facility is located) of so much of the facility as constituted an approved project or projects, as the amount of the Federal participation bore to the cost of the construction or modernization under such project or projects. Such right of recovery shall not constitute alien upon said facility prior to judgment.

(b) Subsection (a) shall not apply—

(1) (A) in a case where the amounts which, were it not for this subsection, would be recovered, are applied to another project or projects within the same State,

(B) such other project or projects have been approved under section 314, or

(2) if the Secretary determines, in accordance with regulations, that there is good cause for releasing the applicant or other owner.

In no case shall transfer of moneys not recovered, because of the application of this subsection exceed 90 per centum of the total costs of the project.

By Mr. ERVIN:

S. 3652. A bill to insure the separation of constitutional powers and to insure the administration of justice with respect to the commission of crimes by officers and employees of the executive branch of the Federal Government, and with respect to Federal elections, to remove enforcement responsibilities in such cases from individuals with actual or apparent conflicts of interest, and to establish an independent public prosecutor. Referred to the Committee on the Judiciary.

PUBLIC PROSECUTOR ACT OF 1974

Mr. ERVIN. Mr. President, I introduce for appropriate reference a bill to insure

the administration of justice with respect to the commission of crimes by officers and employees of the executive branch and with respect to Federal elections, to remove enforcement responsibilities in such cases from individuals with actual or apparent conflicts of interest and to establish an independent public prosecutor.

One of the effects of Watergate and its related events, has been a questioning by a broad cross-section of the public of the effectiveness of our institutions of Government. In recent months this concern has focused on the administration of justice and the Department of Justice particularly.

The Subcommittee on Separation of Powers held hearings March 26, 27, 28, and April 2, 1974, on removing the administration of justice from political influence and many excellent suggestions were adduced from the testimony of the distinguished witnesses who testified. One of the most interesting and often discussed concepts proposed to deal with these problems has been that of a special prosecutor. The bill I introduce incorporates suggestions made by Mr. Lloyd Cutler of Washington, one of the witnesses at the hearings, and others, concerning a permanent public prosecutor.

The bill would establish an Office of Public Prosecutor within the Department of Justice. The public prosecutor would be appointed by the President, by and with advice and consent of the Senate for a term of 6 years. The public prosecutor would have jurisdiction over offenses committed by employees and officers of the Federal Government, and employees and officers of Presidential or Vice Presidential campaign organizations. There would be a deputy public prosecutor whose party affiliation cannot be the same as that of the public prosecutor. Both the public prosecutor and the deputy prosecutor must concur in any indictment. Any appointee to the office of public prosecutor must agree not to occupy any other office under the United States for 5 years.

I ask unanimous consent that the text of 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. 3652

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 "Public Prosecutor Act of 1974".

FINDINGS OF FACT AND DECLARATION OF PURPOSE

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

(1) the continued vitality of American constitutional Government requires the confidence of the electorate that the laws of the United States shall be executed faithfully and be enforced without favor against all persons, including officers or employees of the Government and of national political parties, and without conflicts of interests on the part of the individuals charged with their enforcement, and that the integrity of the electoral processes of the United States shall be preserved;

(2) public confidence in the faithful execution and fair and impartial administration of the laws of the United States, and in the electoral processes of the United States, requires that the individuals officially involved in such activities discharge their responsibilities free of conflict of interest and without misconduct, and free of the appearance of conflict of interest or misconduct;

(3) in cases involving officers and employees of the executive branch of the Government and individuals involved in Federal election campaign activities the danger of political considerations influencing the Attorney General of the United States and those officials under his supervision and control may impair the vigorous enforcement of the criminal laws, may impair the morale of the Department of Justice, and may thereby undermine public confidence in the faithful execution and fair and impartial administration of the laws of the United States and in the electoral processes of the United States; and

(4) maintenance of such public confidence requires the establishment of an independent office charged with ensuring that the criminal laws of the United States are vigorously enforced against officers and employees of the executive branch of the Government and against misconduct in the course of presidential election campaigns.

(b) It is the purpose of this Act to establish within the Department of Justice, an official, independent of the President and the Attorney General, empowered and authorized to take such steps as may be necessary to assure the public that the criminal laws applicable to the conduct of officers and employees of the executive branch of the Government and of presidential election campaigns are vigorously enforced.

TITLE I—JUDICIAL CODE AMENDMENTS

ESTABLISHMENT OF OFFICE

SEC. 101. Title 28, United States Code, is amended by adding after chapter 37 the following new chapter:

"Chapter 39.—PUBLIC PROSECUTOR

"Sec.
"581. Establishment of Office of Public Prosecutor; Deputy Public Prosecutor.
"582. Term and vacancies.
"583. Qualifications.
"584. Removal.
"585. Jurisdiction.
"586. Powers.
"587. Notification to Attorney General of initiation of prosecution.
"588. Actions with respect to an incumbent President.
"589. Administrative provisions.

"§ 581. Establishment of Office of Public Prosecutor; Deputy Public Prosecutor

"(a) (1) There is established within the Department of Justice the Office of the Public Prosecutor (hereinafter referred to as the 'Office'), which shall be under the direction of the Public Prosecutor who shall be appointed by the President, by and with the advice and consent of the Senate. The Public Prosecutor shall, subject to the provisions of section 585 of this title, exercise the powers conferred on him by this chapter independent of supervision by the President, the Attorney General, and their subordinates or delegates.

"(2) There shall be in the Office a Deputy Public Prosecutor who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall perform, in addition to those duties specifically prescribed by law, such duties as the United States Public Prosecutor may direct.

"(3) Any individual holding office under this section shall not accept or hold any other office under the United States while so serving.

"(b) (1) The Office shall be administratively a part of the Department of Justice, but shall be located in physically separate facilities.

"(2) Notwithstanding the provisions of paragraph (1), the Public Prosecutor and the Attorney General may confer in any manner contemplated in this chapter or at such other time and in such other manner as either of them may deem appropriate.

"§ 582. Term and vacancies

"(a) (1) The Public Prosecutor shall hold office for a term of six years and, except as provided for in subsection (c) (2), shall not be eligible for reappointment to a consecutive term as Public Prosecutor.

"(2) The first Deputy Public Prosecutor shall hold office for a term of three years and each subsequent Deputy Public Prosecutor shall hold office for a term of six years. Except as provided for in subsection (c) (2), no Deputy Public Prosecutor shall be eligible for reappointment to a consecutive term as Deputy Public Prosecutor.

"(b) At no time shall the Public Prosecutor and the Deputy Public Prosecutor be appointed from or affiliated with the same political party.

"(c) (1) In the event of the disability of the Public Prosecutor or of a vacancy in that office, the Deputy Public Prosecutor shall serve as Acting Public Prosecutor until the expiration of such disability or the appointment of a successor to fill such vacancy. Any vacancy in the office of Public Prosecutor or Deputy Public Prosecutor before the expiration of a term prescribed in subsection (a) of this section shall be filled in the same manner as an original appointment, except that the Public Prosecutor or Deputy Public Prosecutor so appointed shall serve for the unexpired portion of such term.

"(2) Any individual appointed, pursuant to paragraph (1), to fill an unexpired portion of less than one year of a term as Public Prosecutor or Deputy Public Prosecutor shall be eligible to be reappointed for a full term following the expiration of the portion of the term for which such individual was first appointed.

"§ 583. Qualifications

"(a) No individual shall be appointed Public Prosecutor or Deputy Public Prosecutor unless such individual—

"(1) is eligible to receive the security clearance required by section 586 (4) of this title;

"(2) is, and for a period of at least 15 years to such appointment, has been, admitted to the practice of law before the highest court of a State or States or of the District of Columbia and at the time of such appointment is a member in good standing of the bar of at least one such State or the District of Columbia; and

"(3) is, at the time of such appointment a member in good standing of the bar of the Supreme Court of the United States and for a period of at least ten years prior to such appointment has been such a member.

"(b) No individual shall take the oath of office for the position of Public Prosecutor or Deputy Public Prosecutor unless such individual has agreed in writing not to occupy or assume or discharge the duties of any office under the United States, vacancies in which are filled by popular election, for a period of five years after the date on which such individual's services as Public Prosecutor or Deputy Public Prosecutor are terminated.

"§ 584. Removal.

"(a) The Public Prosecutor or Deputy Public Prosecutor may be removed from office by the President only for neglect of duty, mis-

conduct in office amounting to a crime, violation of the provisions of this chapter, or physical or mental disability persisting for more than four months.

"(b) The President shall specify in writing and with precision the cause for which any individual serving as Public Prosecutor is removed pursuant to subsection (a).

"(c) The District Court for the District of Columbia, on application of any individual removed as Public Prosecutor pursuant to subsection (a), shall have jurisdiction over a civil action to and shall, on an expedited basis, hear any facts bearing on the dismissal of such individual. Such court shall determine de novo whether the cause specified in subsection (b) exists, and order appropriate relief.

"§ 585. Jurisdiction

"(a) The Public Prosecutor shall have jurisdiction, which except to the extent provided for in subsection (b), shall be concurrent with that of the Attorney General, to exercise the powers specified in section 586 of this title with respect to any matter that he has reasonable cause to believe involves the commission of any offense specified in section 310 of the Federal Regulation of Lobbying Act (2 U.S.C. 269) or any of the following provisions of title 18:

"(1) sections 2–4;

"(2) chapter 11 (except sections 212–218 and 224 thereof);

"(3) section 241 of chapter 13;

"(4) chapter 19 (except section 372 thereof), if the conspiracy is to commit any substantive offense enumerated in this section;

"(5) chapter 29 (except sections 592–598, 601, 604, 605, and 612 thereof);

"(6) sections 1001, 1017 and 1018 of chapter 47; and

"(7) chapter 73 (except sections 1501, 1502, 1506–1508, and 1511 thereof),

committed by—

"(8) the President or Vice President of the United States;

"(9) an individual while serving as an officer or employee (other than as the Public Prosecutor or the Deputy Public Prosecutor) of the executive branch of the Government if such individual is appointed by the President or is an officer or employee of the Office of the President however appointed;

"(10) an individual while serving in a position in the executive branch of the Government (other than in the Office of the Public Prosecutor) listed in Schedule C to Rule VI of the Civil Service Rules;

"(11) an individual while holding a position as personal or executive assistant or secretary to any individual referred to in paragraphs (8)–(10);

"(12) an individual while serving as an officer or employee of the national organization of a political party;

"(13) an individual while serving as an officer or employee of any organization or entity organized or operated to further the nomination or election of an individual to the office of President or Vice President of the United States;

"(14) any person committing a violation of any provision specified in paragraph (5) of this subsection; or

"(15) any person conspiring with, or aiding or abetting, any individual referred to in this subsection to commit an offense referred to in this subsection, or any person criminally concealing the commission of such offense, or any individual designated or nominated to serve as a Federal officer referred to in this subsection who has not then assumed such office.

"(b) The Public Prosecutor shall notify the Attorney General of the initiation or termination of an investigation or proceeding with respect to any matter within his jurisdiction under subsection (a) of this section. After the receipt of any such notification and while any investigation or proceeding to which any such notification relates is pending, the Attorney General shall, and shall cause other divisions of the Department of Justice to, refrain from conducting any investigation or prosecution with respect to the subject matter of such notification or any related or overlapping matter, and to refrain from taking any related action with respect thereto, except to the extent that the Public Prosecutor has given prior written approval thereof.

"(c) If at any time the Attorney General believes or has reason to believe that an investigation conducted under his supervision involves or is likely to involve any matter that would fall within the jurisdiction of the Public Prosecutor under subsection (a) of this section, he shall promptly notify the Public Prosecutor thereof and of the reasons for such belief. Upon receipt of any such notification, the Public Prosecutor may in his discretion elect to—

"(1) assume sole responsibility for any further conduct of such investigation;

"(2) participate with the Attorney General in any further conduct of such investigation; or

"(3) defer to the ongoing investigation under the supervision of the Attorney General in which case the Attorney General shall keep the Public Prosecutor fully informed as to the further progress of any such investigation.

"§ 586. Powers

"The Public Prosecutor shall, with respect to any matter within his jurisdiction under section 585 of this title, have full power and authority, consistent with the Constitution of the United States, to—

"(1) conduct such investigation thereof as he deems appropriate;

"(2) obtain and review such documentary, testimonial or other evidence or information as he deems material thereto as may be available from any source, and, if in the possession of an agency of the United States (as defined in Section 6001(1) of title 18, United States Code), without regard to the provisions of Section 552(b) (with the exception of paragraph (6) thereof) of title 5, United States Code;

"(3) issue appropriate instructions to the Federal Bureau of Investigation and other domestic investigative agencies of the United States (which instructions shall be treated by the heads of such agencies as if received from the Attorney General) for the collection and delivery solely to the office of the Public Prosecutor of Information or evidence relating to such investigation, and for the safeguarding of the integrity and confidentiality of all files, records, documents, physical evidence, and other materials obtained or prepared by the Public Prosecutor;

"(4) receive appropriate national security clearances and review any evidence or information sought to be withheld on the ground that it is classified or relates to the national security of the United States, except evidence or information claimed to be subject to an evidentiary or testimonial privilege (including evidence or information claimed to be privileged by virtue of the necessity to the proper functioning of the executive branch of its remaining confidential);

"(5) issue subpenas to such individuals, entities, or officers or employees of the United States (or any agency or department thereof) as he may deem necessary to obtain any evidence or information he is authorized to obtain and review pursuant to paragraph (2) or (4), and initiate or defend appropriate proceedings in any court of the United States of competent jurisdiction relating to compliance with any such subpena;

"(6) determine whether, in a proceeding pursuant to paragraph (5) or any other proceeding, to contest the withholding of any evidence or information he is authorized to obtain and review pursuant to paragraph (2) or (4) because such evidence or information is claimed to be subject to an evidentiary or testimonial privilege, including a claim that such evidence or information is privileged by virtue of the necessity to the proper functioning of the executive branch of its remaining confidential;

"(7) conduct proceedings before grand juries;

"(8) make application to any court of the United States of competent jurisdiction in a manner consistent with part V of title 18 for a grant of immunity to any witness;

"(9) frame and, with the independent concurrence of the Deputy Public Prosecutor and subject to section 588 of this title, sign and file criminal indictments and informations, prosecute criminal proceedings in the name of the United States, which proceedings shall, except as otherwise provided for in this chapter, comply with the requirements of law governing the conduct of such proceedings;

"(10) conduct such civil proceedings as he may deem appropriate to enforce any provision or obtain any remedy for violation of any law he is charged with enforcing; and

"(11) notwithstanding any other provision of law, to exercise all other powers as to the conduct of criminal investigations, prosecutions (including prosecutions for perjury committed in the course of any investigation or judicial or legislative hearing with respect to any matter within the jurisdiction of the Public Prosecutor), civil proceedings), and appeals, within his jurisdiction, that would otherwise be vested exclusively in the Attorney General and the United States attorney under the provisions of chapters 31 and 35 of this title and any regulation promulgated pursuant to either such chapter, and act as attorney for the Government in such investigations, prosecutions, proceedings, and appeals.

"§ 587. Notification to Attorney General of initiation of prosecution

"(a) The Public Prosecutor may, together with the Deputy Public Prosecutor, sign and file any indictment returned by a grand jury convened at his request or under his direction and may, together with the Deputy Public Prosecutor, sign and file any criminal information, with respect to any matter within his jurisdiction under section 585 of this title, except that in each such instance the Public Prosecutor shall give the Attorney General five days' prior written notice thereof.

"(b) If the Attorney General of the United States disapproves the filing of any indictment or information, or any subsequent action or position taken by the Public Prosecutor in the course of any judicial proceeding pursuant thereto, the Attorney General shall be entitled to appear and present his views amicus curiae to any court before which any such proceeding is pending.

"§ 588. Actions with respect to an incumbent President

"(a) Notwithstanding any other provision of this chapter, the Public Prosecutor shall have no authority to initiate any criminal proceeding against an individual then serving as the President of the United States.

"(b) Notwithstanding the provisions of subsection (a), the Public Prosecutor shall have authority to submit any evidence or information obtained by him which, in his judgment, furnishes reasonable grounds for

a belief that an incumbent President has committed any impeachable offense (including, subject to the approval of the court supervising any grand jury convened at the request or under the direction of the Public Prosecutor, any relevant report prepared by such grand jury), to the Committee on the Judiciary of the House of Representatives.

"§ 589. Administrative provisions

"(a) The Public Prosecutor may appoint, fix the compensation, and assign the duties of such personnel as may be necessary to carry out his duties and functions under this chapter. The Public Prosecutor may obtain the services of experts and consultants in accordance with the provisions of section 3109 of title 5.

"(b) The Deputy Public Prosecutor, in addition to such staff as may be furnished him by the Public Prosecutor, may appoint and fix the compensation of such personal assistants as may be necessary to carry out his responsibilities under Section 586(9).

"(c) The Public Prosecutor may from time to time make such provisions as he considers appropriate authorizing the performance by any other officer or employee of the Office of any function of the Public Prosecutor except the function prescribed by section 588(b) of this title.

"(d) The Public Prosecutor is authorized—

"(1) to adopt, amend, and repeal such rules and regulations as may be necessary to carry out his duties and functions under this chapter, and

"(2) to utilize, with their consent, the services, equipment, personnel, and facilities of any department or agency of the United States on a reimbursable basis.

"(e) The Public Prosecutor may, in his discretion, appoint such Special Assistants to discharge his responsibilities (other than the responsibility vested in the Public Prosecutor pursuant to Section 588(b)) with respect to a particular matter or matters within the jurisdiction of the Public Prosecutor under Section 585.

"(f) Upon request made by the Public Prosecutor each Federal department and agency is authorized and directed to make its services, equipment, personnel, facilities, information (including suggestions, estimates, and statistics) available to the greatest practicable extent consistent with the laws, to the Public Prosecutor in the performance of his duties and functions.".

"(g) The Public Prosecutor and Deputy Public Prosecutor shall be compensated as provided for in Sections 5313 and 5314 of title V, provided that such compensation shall not be subject to diminution during the period of any individual's tenure as Public Prosecutor or Deputy Public Prosecutor, as the case may be.

INTERLOCUTORY APPEALS FROM CERTAIN DECISIONS

SEC. 102. Section 1292(a) of title 28, United States Code, is amended—

(1) by striking out "and" at the end of paragraph (3);

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a seimcolon and "and", and adding the following new paragraph:

"(5) Orders of such district courts or the judges thereof, issued in proceedings relating to compliance with any subpoena issued by the Public Prosecutor pursuant to section 586(5) of this title, quashing any such subpoena on the grounds that, or enforcing any such subpoena against a claim that, the information sought to be obtained thereby may be withheld because it is classified or relates to the national security of the United States, or because such information is subject to an evidentiary or testimonial privilege, or because such evidence or information is privileged by virtue of the necessity to the proper functioning of the executive branch of its remaining confidential.".

TITLE II—CRIMINAL CODE AMENDMENTS

CONFLICTS OF INTEREST

SEC. 201. (a) Section 202 of title 18, United States Code, is amended by redesignating subsection (b) as subsection (c) and adding after subsection (a) the following new subsection:

"(b) As used in sections 205, 207, 208 and 209 of this title the term 'officer or employee' includes the Public Prosecutor, the Deputy Public Prosecutor, and members of their staff; and as used in section 201 of this title, the term 'public official' includes the Public Prosecutor, the Deputy Public Prosecutor and professional members of their staff.".

SECRECY OF RECORDS

SEC. 202. (a) Section 1905 of title 18, United States Code, is amended—

(1) by inserting "(a)" immediately before "Whoever"; and

(2) by adding at the end thereof the following new subsection:

"(b)(1) It shall be unlawful for any officer or employee of the United States or of any department or agency thereof, or the member of any grand jury convened at the request or under the direction of the Public Prosecutor who, in the course or under color of his duties as such officer, employee or member has had any direct contact with an employee or officer lawfully participating in an investigation being conducted by the Public Prosecutor pursuant to section 586 of title 28 by virtue of which such person has come into the possession of any evidence or information obtained by or in the possession of the Public Prosecutor or the product of an investigation conducted by the Public Prosecutor pursuant to such section, to disclose, or to cause the disclosure, or in any manner to further the disclosure, of such evidence, information, or product to any person other than an officer or employee of the Office of the Public Prosecutor or the Department of Justice, or of a court in which a grand jury convened at the request or under the direction of the Public Prosecutor is proceeding, or (to the extent otherwise privided for by law) to a person who is likely to or has become the subject of an investigation by the Public Prosecutor, except that the Public Prosecutor may make such public disclosure as is permitted by law of such information as he deems necessary, appropriate, or required by law in connection with a proceeding instituted by him with the concurrence of the Deputy Public Prosecutor.

"(2) Whoever violates any provision of paragraph (1) of this subsection shall be subject to a civil penalty of not less than $1,000 or more than $25,000 and, if the violation is willful, shall be fined not more than $50,000 or imprisoned for one year, or both.

"(3) Nothing in this subsection shall be construed to prohibit the Public Prosecutor from taking any action he is authorized to take under section 588(b) of title 28, or to preclude any defendant in a criminal case from obtaining any information concerning grand jury proceedings or in the possession of a prosecuting official of the United States to which he would otherwise by law be entitled.".

(b)(1) The caption of section 1905 of such title is amended to read as follows:

"§ 1905. Disclosure of confidential information generally and with respect to investigations or proceedings conducted by the Public Prosecutor".

(2) The analysis of chapter 93 of such title is amended by inserting immediately before the period at the end of item 1905 the following: "and with respect to investigations or proceedings conducted by the Public Prosecutor".

TITLE III—MISCELLANEOUS

COMPENSATION

SEC. 301. (a) Section 5313 of title 5, United States Code, is amended by adding at the end thereof the following:

"(22) Public Prosecutor.".

(b) Section 5314 of such title is amended by adding at the end thereof the following:

"(56) Deputy Public Prosecutor.".

FACILITIES

SEC. 302. The Administrator of General Services shall provide the Office of the Public Prosecutor with such offices and support facilities as may be necessary, and such additional offices and support facilities as may from time to time be required to carry out the provisions of this Act, except that such offices and facilities shall be physically separate from the office of the Department of Justice or of any division thereof.

AUTHORIZATION OF APPROPRIATIONS

SEC. 302. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

By Mr. MAGNUSON (by request):

S. 3653. A bill to amend the Rail Passenger Service Act of 1970 and for other purposes. Referred to the Committee on Commerce.

Mr. MAGNUSON. Mr. President, I introduce by request, for appropriate reference, a bill to amend the Rail Passenger Service Act of 1970, and ask unanimous consent that the letter of transmittal, and text of the bill be printed in the RECORD.

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

THE SECRETARY OF TRANSPORTATION,
Washington, D.C., May 9, 1974.

Hon. GERALD R. FORD,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: There is transmitted herewith a bill to amend the Rail Passenger Service Act of 1970 (the "Act") and for other purposes. The amendments would correct certain technical deficiencies in the Act, provide for additional authorization for appropriations in Fiscal Year 1975, increase by $200,000,000 the maximum amount of loans and other obligations that may be guaranteed pursuant to the Act, revise section 601 of the Act to provide that payments to the National Railroad Passenger Corporation (Amtrak) would be subject to terms and conditions prescribed by the Secretary of Transportation and to remove certain direct budget submittal features presently contained in that section, and amend section 801 of the Act to provide that the Commission shall annually recommend measures to assure an adequate level of service.

The "Amtrak Improvement Act of 1973" amended section 601 of the Act by removing the authority of the Secretary of Transportation to attach terms and conditions to grants to Amtrak. It also provided for the concurrent transmittal to Congress of any budget requests or estimates submitted to various elements of the Executive Branch and prohibited any agency of the Government from requiring Amtrak to submit legislative matters to it prior to submission to Congress.

These amendments to section 601 of the Act substantially decreased the stewardship role of the Executive Branch over the expenditure of funds by Amtrak. As the President indicated in his statement of November 3, 1973, on the occasion of his signing the Amtrak Improvement Act, the 1973 amend-

ments deprive the Executive Branch of any meaningful authority to review in advance the spending plans of Amtrak or to exercise sensible budgetary and legislative control. The imposition of the restrictions upon Executive Branch control was most unfortunate, because it has become increasingly clear that the Amtrak program is becoming more expensive for many reasons, such as increases in railroad operating cost and the cost of capital equipment necessary for the continued operation of the Amtrak program. Consequently, fiscal responsibility within the Executive Branch over Amtrak's programs in light of these escalating costs is imperative.

A further consequence of the restrictions was to remove the Executive Branch from effective participation in the long-term intercity rail passenger service planning process. The Amtrak Improvement Act permitted Amtrak to propose long-term programs with major impacts to the Congress without prior review by the Executive Branch. We are therefore recommending that section 601 be amended to provide appropriate control by the Executive Branch of the Amtrak budge and legislative program.

The Amtrak Improvement Act of 1973 amended section 801 of the Act and directed the Interstate Commerce Commission to issue regulations necessary to provide "adequate service, equipment, tracks, and other facilities for quality intercity passenger service." On December 27, 1973, the Commission issued Ex Parte 277 (Sub. No. 1), Adequacy of Intercity Rail Passenger Regulations. While those regulations may contribute to the continued improvement of rail passenger service the Department pointed out in its Petition for Reconsideration "that we would be remiss in our duty if we failed to express our forebodings about the impact of some of the regulations upon Amtrak's operations and finances."

We strongly support the need for quality rail passenger service, but such service should be provided at a cost which is reasonable to the Corporation and to the public. The imposition of mandatory regulations by the Commission will not accomplish these twin objectives. Ordinarily, the regulatory process operates within the framework of a profit motivated sector of the economy. That framework provides the necessary constructive tension and diversity of views necessary to assure that the regulations are reasonable. Amtrak does not operate in that environment. Amtrak does not have the economic incentives to question and oppose where necessary, the Commission's proposed regulations since historically Amtrak's increased deficits have been underwritten by increased subsidies from the Federal Government. In addition to the question of unnecessary costs, the Commission's control could stifle Amtrak's introduction of new, better, and more innovative services than those required by the Commission. We, therefore, recommend deleting the present section 801, and substitute a provision authorizing that the Commission shall recommend such changes, but not have authority to order them.

The bill would amend section 602(d) to increase the maximum amount of loans and other obligations that might be guaranteed by the Secretary of Transportation from the present limit of $500,000,000 to $700,000,000. Increasing the limit is necessary to allow Amtrak to make needed capital acquisitions and improvements, vital to the successful and efficient operation of Amtrak.

Section 304(b) of the Act would be amended to remove the restriction that no more than one-third of Amtrak's common stock may be owned by a single railroad or by a person controlling one or more railroads, after the initial issue of common stock is completed. The initial issuance of common stock was completed on May 1, 1974, and two of Amtrak's four common shareholder railroads now each have more than one-third of the common stock. This situation has developed principally because most railroads that joined the Amtrak system took the tax deductione available under section 901 of the Act, rather than accept common stock in exchange for their payments. The Department believes that no harm will be done by eliminating this ownership restriction. The proposed amendments to section 304(b) would also limit any one railroad or person controlling one or more railroads from voting more than one-third of the Amtrak common stock and thus preserve the existing limitation on the number of directors that can be elected by any one railroad.

The Office of Management and Budget has advised that this proposed legislation is in accord with the Administration's objectives.

Sincerely,

CLAUDE S. BRINEGAR.

S. 3653

Be it enacted by the Senate and House of Representatives of the United States in Congress assembled, That the Rail Passenger Service Act of 1970, as amended (45 U.S.C. 502) is amended by

1. deleting the word "owned" in section 304(b) and substituting the word "voted" in lieu thereof, and adding the following sentence at the end of section 304(b): "If any railroad or any person controlling one or more railroads, as defined in this subsection, owns, in any manner referred to in this subsection, a number of shares in excess of 33⅓ per centum of the total number of common shares issued and outstanding, such excess number shall, for voting and quorum purposes, be deemed to be not issued and outstanding.";

2. deleting section 601 and substituting in lieu thereof the following:

"There is authorized to be appropriated to the Secretary in fiscal year 1975 for payment to the Corporation pursuant to terms and conditions prescribed by the Secretary such amounts as are necessary to carry out the purposes of this Act.";

3. deleting "$500,000,000" in section 602(d) and substituting "$700,000,000" in lieu thereof; and

4. deleting section 801 and substituting in lieu thereof the following:

"The Commission shall recommend to the Secretary, the Corporation, and the Congress in its annual report, such measures as it considers necessary to provide adequate service, equipment, and other facilities for quality intercity rail passenger service and shall report on the effectivenss of its prior recommendations.

By Mr. BELLMON (for himself and Mr. BARTLETT):

S. 3654. A bill to amend the Occupational Safety and Health Act of 1970, and for other purposes. Referred to the Committee on Labor and Public Welfare.

Mr. BELLMON. Mr. President, today I am introducing legislation which would remedy many of the present abuses which have been caused by the improper implementation of the Occupational Safety and Health Act.

My proposal would make several significant changes in the act.

First, it would amend the Occupational Safety and Health Act to exempt from Federal standards any small business, including farmers, having 25 or fewer employees.

Second, the authority to assess penalties for first-instance nonserious violations would be removed. The mandatory assessment of penalties for first-instance serious violation would be made discretionary, being related to whether assessment of a penalty would advance worker safety. In making this determination, an inspector would be required to examine three relevant factors: the gravity of the violation, the good faith of the employer, and the history of previous violations.

Third, this bill would permit onsite consultation by the Department of Labor for employers with 100 or fewer workers with no authority to issue citations for violations found on employer-requested visits. Personnel of the Department of Labor would be required to suggest various alternatives to remedy hazards disclosed during the visit. Violations discovered during the onsite consultation would not subject an employer to liability unless it involved an "imminent danger" to his employees.

Mr. President, I do not wish to be misunderstood. I strongly believe that OSHA is needed and that the act provides a valuable and long-overdue protection for American working people. However, difficulties have arisen with the administration of the act which, in my opinion, make the changes which I am proposing absolutely essential.

The urgent need for enactment of this proposal is quite clear when one examines the often burdensome and unwarranted interference caused by the current administration of OSHA. The Occupational Safety and Health Act has caused severe and serious hardships on many small businesses and farming operations throughout the Nation. This is certainly the case in my home State of Oklahoma. My office, like those of many other Senators, has literally been deluged with an overwhelming number of protests from a variety of individual employers, associations, and organizations who have become acutely aware of the oppressive effects of this law. Among those adversely affected in Oklahoma by the implementation of unnecessary regulations are grain and seed companies, cotton oil companies, farm machinery, equipment and implement dealers, hardware stores, lumber yards, steel constructors, mechanical contractors, moving and storage firms, farmers cooperative associations, and many others too numerous to list.

Quite simply the implementation of OSHA regulations have gone too far in imposing requirements upon small businessmen. It is clear that enforcement of this law by the Department of Labor has been totally unrealistic and without regard for the crippling consequences it has produced. It represents the imposition of an additional cost on farmers and small businessmen. Unless changed, it will literally force many out of business and add further to unemployment.

Those in charge of administering the program appear in many cases to be more anxious to punish than to make infor-

mation available in an understandable and usable form and thus gain cooperation. But the basic fault lies within the law itself. Basic changes need to be made. It is with this concept and understanding of the implementation of the Occupational Safety and Health Act that I am introducing legislation which is realistic and badly needed.

By exempting the small businessman with fewer than 25 employees, the Congress will help alleviate the financial plight which presently exists in rural America. The plight of the small businessman which has been created by the implementation of OSHA is typified by a letter which my office received some time ago from Ed Long, operator of a retail farm equipment dealership in Garber, Okla. His business with its nine employees contributes to the economy of Garber, which has a population of 1,011 and furnishes vital services to farmers in a large geographical area of north-central Oklahoma.

Ed writes that he will have to spend initially approximately $15,000 at a minimum to comply with the new rules, primarily because of requirements in the paint room. He said:

> I do not know of a single implement or automobile dealership that has automatic sprinklers and many of the other specifications required by the law. Drinking water, restroom facilities with hot and cold water within 200 feet of every employee would be impossible . . . without spending thousands of dollars per dealership.
>
> I feel and my records prove that many of the regulations will not make my business any safer. They could force us to close and leave five more empty buildings in our small town. It should have been called the Small Town Killer Law.

In all candor, OSHA regulations are too complex for small businessmen to know or understand, much less to comply with. It is unfair to expect a small businessman located in rural America with limited resources to comply with the same standards that apply to large corporations employing lawyers, safety officers, and industrial hygenists. Congress has stated its objective, primarily in the Rural Development Act, to encourage the development of rural America and yet at the same time has enacted massive legislation which creates a precarious existence at best for many small enterprises. Quite simply, the cost of compliance with OSHA regulations is simply too high. Although, adequate safety standards must be provided the Department of Labor has gone too far in implementing burdensome regulations which create an undue economic burden and interference with the operation of the small businessman.

The cost of complying with these regulations boggles the imagination. One survey has indicated that the average cost of complying with the OSHA standards is $33,000 for plants with less than 100 employees. This kind of cost for businessmen can mean the difference between financial solvency and bankruptcy for literally hundreds of enterprises. We are also all interested in the safety of the worker but we should also be interested in the unemployment rates which exist in rural America.

The second feature of this bill would provide on request jobsite consultation by the Department of Labor for businesses with 100 or fewer employees with no authority to issue citations for violations found on employer-requested visits. Literally volumes of regulations have been promulgated pursuant to the act making good faith compliance by the small businessman nearly impossible. Most small firms simply cannot afford to hire the expensive technical and legal expertise required. Therefore, Department of Labor personnel should be made available. In my judgment, it is only reasonable to provide consultive service when requested by an employer for the purpose of discussing the interpretation or application of standards and possible alternative ways to comply with the standards under the act.

Under my proposal, the authority to assess penalties for first-instance nonserious violations of the act would be significantly modified. The mandatory assessment of penalties for first-instance serious violations would be made discretionary, being related to whether assessment of a penalty would advance worker safety. Under existing law, the Secretary must issue a citation with a proposed penalty whenever he finds a violation. This mandatory penalty provision should be changed. Quite simply, it is unfair.

Although many are urging complete repeal of this act, because of the abuses which have occurred, it is my conviction that the act is needed. These amendments to the OSHA would greatly improve the act without doing harm to its basic objectives. Perhaps, more importantly, these changes would eliminate what Ed Long of Garber, Okla., has called the Small Town Killer Law, and help provide an effective workable instrument which serves the best interests of both employers and employees.

I ask unanimous consent that the text of my bill be inserted in the RECORD at this point.

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

S. 3654

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 "Occupational Safety and Health Amendments of 1974".

SEC. 2. (a) Section 3(5) of the Occupational Safety and Health Act of 1970 is amended to read as follows:

"(5) The term 'employer' means a person engaged in a business affecting commerce who has employees but does not include the United States, any State or political subdivision of a State, any nonagricultural employer who employed no more than twenty-five employees at any time during the preceding calendar year, or a small farmer."

(b) Section 3 of such Act is amended by adding at the end thereof the following new paragraph:

"(15) The term 'small farmer' means a person who owns or operates a farm who, it can reasonably be predicted on the basis of criteria prescribed by the Secretary, will not employ during the next twelve-month period more than twenty-five man-years of agricultural labor for which compensation is paid."

SEC. 3. Section 6(b)(2) of the Occupational Safety and Health Act of 1970 is amended by inserting at the end of the first sentence the following: "Such proposed rule shall be accompanied by a statement summarizing its economic impact on affected employers, including an estimate of the total costs which will be incurred by employers in each affected industry in complying with such rule."

SEC. 4. (a)(1) Subsections (b) and (c) of section 9 of the Occupational Safety and Health Act of 1970 are redesignated as subsections (c) and (d), respectively.

(2) Section 9 is further amended by inserting after subsection (a) a new subsection (b) as follows:

"(b) Any employer who is issued a citation and who believes that he maintains work conditions which would meet the criteria for a variance under section 6(d), may apply to the Secretary for such a variance within the time designated in section 10(a) for giving notice of intent to contest a citation. Except where the Secretary finds it frivolous and submitted for the purpose of delay, such application shall result in the suspension of all further proceedings with respect to such citation pending final action by the Secretary on such application. If a variance is granted, the Secretary shall enter an order vacating such citation."

(b) Section 9(c) of such Act (as redesignated by this section) is amended by adding at the end thereof the following: "Such posting shall not be required after (1) such violation has been abated, or (2) a proceeding contesting such citation has been concluded by an order under sections 9(b), 10(c), or 11 vacating or modifying such citation, whichever comes first. Whenever any such order modifies such citation, the citation as modified shall not be required to be posted after the violation has been abated."

SEC. 5. (a) Section 17(b) of the Occupational Safety and Health Act of 1970 is amended (1) by striking the word, "shall", and inserting in lieu thereof the word, "may"; and (2) by inserting at the end thereof the following new sentence: "In determining whether a penalty shall be assessed under this subsection, due consideration shall be given to the gravity of the violation, the good faith of the employer, and the history of previous violations."

(b)(1) Section 17 of such Act is amended by striking out subsection (c).

(2) Section 17 of such Act is further amended by redesignating subsections (d), (e), (f), (g), (h), (i), (j), (k), and (l), and all references thereto, as subsections (c), (d), (e), (f), (g), (h), (i), (j), and (k), respectively.

SEC. 6. (a) The heading of section 21 of the Occupational Safety and Health Act of 1970 is amended to read as follows:

"TRAINING, EDUCATION, AND TECHNICAL ASSISTANCE"

(b) Section 21 of such Act is amended by inserting at the end thereof the following new subsection:

"(d)(1) In order to further carry out his responsibilities under this section, the Secretary shall visit the workplaces of employers having one hundred or fewer employees for the purpose of affording consultation and advice to such employers. Such visits (A) may be conducted only upon a valid request by an employer for consultation and advice at the workplace on the interpretation or applicability of standards or on possible alternative ways of complying with applicable standards, and (B) shall be

limited to the matters specified in the request affecting conditions, structures, machines, apparatuses, devices, equipment, or materials in the workplace. Where, after evaluating a request by an employer pursuant to this subsection, the Secretary determines that an alternative means of affording consultation and advice is more appropriate and equally effective, he may provide for such alternative means rather than on-site consultation.

"(2) The Secretary shall make recommendations regarding the elimination of any hazards disclosed within the scope of the onsite consultation. No visit authorized by this subsection shall be regarded as an inspection or investigation under section 8 of the Act and no notices or citations shall be issued nor shall any civil penalties be proposed by the Secretary upon such visit, except that nothing in this subsection shall affect in any manner any provision of this Act the purpose of which is to eliminate imminent dangers.

"(3) Nothing in this subsection shall be deemed to require the Secretary to conduct an inspection under section 8 of the Act of any workplace which has been visited for consultative purposes. The failure of the Secretary to give consultation and advice regarding any specific matter during a consultation visit shall not preclude the issuance of appropriate citations and proposed penalties with respect to that matter.

"(4) In prescribing rules and regulations pursuant to this subsection, the Secretary shall provide for the appropriate separation of functions between officers, employees, or agents who conduct visits pursuant to this subsection and officers, employees, or agents who conduct inspections or investigations under this Act."

SEC. 7. This Act shall take effect sixty days after the date of enactment of this Act.

By Mr. BELLMON:

S. 3655. A bill to amend the Food Stamp Act of 1964. Referred to the Committee on Agriculture and Forestry.

Mr. BELLMON. Mr. President, the Agriculture and Consumer Protection Act of 1973, Public Law 93-86, extended the Food Stamp Act of 1964 for an additional 4 years. This Agriculture Act amended the food stamp program in a manner which has been construed to prohibit some recipients of supplemental security income under 1972 amendments to the Social Security Act from being eligible to continue receiving food stamps.

After enactment, it was brought to the attention of Congress that implementation of this amendment to the food stamp program would be extremely inequitable and would create an administrative nightmare. Emergency legislation, Public Law 92-233, was enacted last December which delayed implementation of this provision until June 30, 1974.

Mr. President, the problems predicted last December which required enactment of emergency legislation still exist. The situation is critical. Let me explain. For example, in Oklahoma there are currently 72,276 persons who receive old age, blind, and disabled assistance and also receive food stamps or donated commodities. By July 1, the donated commodities program will be changed to food stamps. Unless the provisions of Public Law 93-86 are changed before June 30, 67,834 persons in Oklahoma alone will no longer be entitled to food stamps.

The provisions of Public Law 93-86, if allowed to go into effect, will cause an administrative nightmare which would affect every adult recipient of public assistance. In Oklahoma, the local county workers would be required to determine and redetermine eligibility for adult assistance as follows:

First. Determine eligibility for AABD payments based on the December 1973 standards.

Second. Determine eligibility for food stamps based on the December 1973 standards and establish the bonus value of these coupons.

Third. Compute the December 1973 public assistance grant which the recipient hypothetically would have been eligible to receive and add the hypothetical bonus value of the coupons which the person would have been eligible to receive.

Fourth. Determine SSI eligibility and amount of payment to which the person would be entitled, included the State supplement or any other income which he might receive.

Fifth. If the current SSI payment plus the State payment is more than the individual would have been entitled to receive in December 1973, then he is ineligible to receive food stamps under the law which will again be in effect after July 1.

Sixth. Complete an application for food stamps and determine eligibility. Example: July 1974 SSI payment, $146; State supplemental payment, $20; total July 1974 income, $166. This individual would not be eligible for food stamps, because of the SSI payment. This individual could have a neighbor who had $183 per month income, however, if the neighbor's income does not include any SSI payment the neighbor would be entitled to food stamps.

The cost administratively of having county workers determine eligibility under an obsolete and separate set of standards, according to the provisions of Public Law 93-86, would be tremendous. With the rising cost of food prices and the change in USDA food stamp standards to be effective July 1, 1974, an increasing number of individuals in need of food stamps to supplement their income will be making application. To deny food stamps to those individuals receiving SSI is to deny help to the poorest of the poor.

For these reasons, I am today introducing legislation to provide that effective July 1, 1974, the eligibility for participation in the food stamp program shall be determined solely on the basis of the uniform national eligibility standards for nonpublic assistance households.

Mr. President, this bill simply provides that each individual shall be treated the same in determining eligibility for food stamps regardless of his source of income. In my view, this proposed change is only just. Hopefully Congress will realize the critical need for legislation of this nature and take immediate action on this proposal. The change must be made before June 30, 1974.

Mr. President, I ask unanimous consent that the text of my 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. 3655

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 5 of the Food Stamp Act of 1964, as amended, is amended by adding the following new subsection:

"(e) Effective July 1, 1974, the eligibility for participation in the food stamp program of any household which contains a number with respect to whom supplemental security income benefits are being paid under Title XVI of the Social Security Act shall be determined on the basis of the uniform national eligibility standards for nonpublic assistance households established by the Secretary pursuant to this section."

By Mr. NELSON (for himself, Mr. MONDALE, and Mr. COOK):

S. 3656. A bill making appropriations for the fiscal year ending June 30, 1975, for reimbursement of costs of construction of treatment works pursuant to the Federal Water Pollution Control Act. Referred to the Committee on Appropriations.

Mr. NELSON. Mr. President, when the Congress enacted the Federal Water Pollution Control Act Amendment 2 years ago it established a massive attack on the pollution of our Nation's waterways. National standards were established, timetables set, and over $18 billion appropriated to fuel a coordinated approach to a basic environmental problem.

Half of the funds that the Congress appropriated for the construction of new sewage treatment facilities have been impounded. Deadlines set in the 1972 act will now have to be set back by at least 2 years. A national program to abate a critical problem has been unfortunately delayed.

The 1972 act contains another commitment to the Nation's cities that has not yet been met. The act—section 206 (a)—contains a moral and financial promise that the Federal Government will provide sufficient and timely payment of up to 55 percent for the construction costs of sewage treatment plants built between 1966-72 when the cities were encouraged to use their own money to pay for the eligible Federal share.

The Congress determined that it was equitable, reasonable, and consistent with past congressional legislation and intent that the Federal Government reimburse funds to State and localities which have prefinanced a portion of the Federal share of the eligible cost of construction of waste treatment facilities.

Section 8(c) of the Federal Water Pollution Control Act, as amended by the Clean Water Restoration Act of 1966, served as an incentive to accelerate the initiation of municipal water pollution control projects ahead of the availability

of Federal appropriations. States and localities then proceeded to commit their own fiscal resources to pay a portion of the Federal share of the cost of construction on the premise that allotments of the eligible Federal share would be paid in full in a timely fashion.

To meet this obligation the Congress appropriated $1.9 billion. Late last year it became obvious that this money would not discharge the Federal obligation. The Congress then asked the EPA how much more money was needed to retire the Federal commitment. EPA responded that an additional $600 million would complete the job. The Congress increased the authorization by that amount and the President signed the authorization into law in December.

Now it appears that this was a low estimate. The EPA has received over 5,000 applications for grants totaling $3.012 billion. Of these projects over 1,000 applications totaling $438 million are from projects that have not received any Federal assistance.

Obviously, with only $1.9 billion appropriated and total eligible costs as high as $3 billion, the EPA can only pay part of the total eligible share unless the Congress appropriates additional funds.

EPA has developed the following funding formula. Projects that have received prior Federal grants will immediately receive half of their eligible Federal share. The other half will be paid at 65 cents on the dollar. This partial payment will make available funding for the 1,000 new applications EPA has received.

For example, under this program, the city of Green Bay, Wis., initiated a $71 million sewage-treatment project. According to the law they are eligible for 55-percent Federal reimbursement for construction costs. This means approximately $39.2 million of the total cost should come from Federal funds. So far they have been obligated to one-half of their eligible cost, or $18.4 million. The other half is being paid at the rate of 65 cents on the dollar. The loss in promised Federal funding will be close to $14 million. The additional fiscal burden will have to be borne by the taxpayers who originally authorized the projects with a firm promise of Federal help.

The EPA informs me that they will not know the total cost for this program until the early fall but, in any case, the amount will be in excess of the additional $600 million that this bill would appropriate.

It is important for the Congress to appropriate these additional funds now so that they appear in the fiscal year 1975 budget. After the EPA compiles the final figures this fall, the Congress can then pass an authorization for the money that will wipe out the Federal Government's liability to the States and cities.

The legislative history of section 206 of the Federal Water Pollution Control Act Amendments of 1972 is clear on the Federal obligation. The debate reads, in part:

By virtue of the commitments made by these states and localities, the cleanup of our nation's precious waters has been expedited, and it is a matter of equity that the Federal Government provide sufficient and timely reimbursement to them.

The record continues:

The provisions of section 206 are a matter of simple justice and will constitute, when funds for them are appropriated, the fulfillment of a strong commitment by the Federal Government. In addition, they will serve notice that progressive administration on the part of State and local governments will not go unrewarded.

The question of whether the $1.9 billion would be sufficient was raised. The House responded that—

Although the amount authorized by section 206(a) of H.R. 11896 is too small to meet the ultimate need, there will be an opportunity in future legislation to correct this inequity.

The Senate's response was similar. Senator MUSKIE, the author of the bill, makes the following point in a colloquy with Senator JAVITS:

JAVITS. I note from the report that the committee said that if it (the appropriation) should be found to be inadequate and the entitlement higher, the committee intends to seek authorization and appropriation for whatever is paid.

MUSKIE. That is correct. We will do that.

And even the administration was in agreement. Administrator of the EPA William Ruckelshaus testified that—

We endorse reimbursement to cover the full Federal share allowable under current law, which applies to post-1966 projects.

The Senate report concludes—

That funds committed to advance the Federal share are now—in 1972—urgently needed by the States and municipalities to finance their share of new projects which are essential to implement the purposes of the act. For these reasons it is the policy of the committee to provide full reimbursement for all projects constructed without assistance.

The Congress has a moral commitment to reimburse the States and municipalities for funds they had applied to the Federal eligible share of sewage treatment projects.

It is time the Congress appropriate the money that will help to meet this commitment.

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

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

S. 3656

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sum is appropriated for the fiscal year ending June 30, 1975, out of any money in the Treasury not otherwise appropriated:

ENVIRONMENTAL PROTECTION AGENCY
CONSTRUCTION GRANTS

For reimbursement of costs of construction of waste treatment works pursuant to section 206 (a) of the Federal Water Pollution Control Act, $600,000,000, to remain available until expended.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent to have printed in the RECORD, a statement by the distinguished Senator from Minnesota (Mr. MONDALE) cosponsoring legislation to reimburse communities for the construction of sewage treatment facilities.

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

STATEMENT BY SENATOR MONDALE

Mr. MONDALE. Mr. President, I am pleased to join my colleague from Wisconsin, Senator Nelson, in cosponsoring legislation to provide added funds for the reimbursement of local communities for the construction of sewage treatment facilities.

This measure, which would be considered as an amendment to the fiscal 1974 appropriation for the Environmental Protection Agency, affects only those communities that built sewage treatment plants between 1966 and 1972. It would provide $600 million in payments to municipalities that initiated construction of such facilities on the basis of an assurance that the Federal government would later compensate them for from 50 to 55 percent of the cost of their projects.

This assurance was incorporated into the Water Pollution Control Act and the Clean Water Restoration Act of 1966, which was designed to speed progress toward improved water quality by encouraging State and local governments to go ahead with sewage treatment projects upon the expectation that federal funds would subsequently be made available to defer a share of the cost.

In the 1972 Federal Water Pollution Control Act Amendments the Congress recognized the federal governments' responsibility in this regard, and $1.9 billion was authorized under Section 206 to reimburse municipalities for plans constructed during the preceding six years.

However, as applications began coming into the Environmental Protection Agency, it became clear that $1.9 billion was not sufficient to provide full reimbursement to all eligible communities. E.P.A. estimated that an additional $600 million would be necessary to fully fund applications for Section 206 grants, and an authorization in this amount was approved by the Congress. On the basis of applications received to date, even with the supplemental $600 million, the federal government will be unable to provide 100 percent reimbursement for eligible projects. Nevertheless, the bill we are introducing today is intended as a first step toward fulfilling the commitments made in the 1972 and prior amendments to the Water Pollution Control Act.

In the absence of this legislation, the Environmental Protection Agency has developed a formula to compensate municipalities at a rate of 65 cents on every dollar they are entitled to receive.

For the State of Minnesota, the difference between full funding and funding at the 65 percent rate of reimbursement is $9,561,292. The Metropolitan Sewer Board serving the Twin Cities and surrounding communities stands to lose $4,414,582 under the E.P.A.'s 65 percent funding formula.

Mr. President, at my request the Environmental Protection Agency has prepared a set of tables which show how much the State of Minnesota and the various municipalities with eligible projects would be entitled to receive at 100 percent reimbursement versus 65 percent reimbursement. I ask unanimous consent that these tables be printed at this point in the RECORD.

As the charts show, the City of Bloomington built a treatment plant between 1966 and 1972 at a cost of $12,315,000. The federal government has made available some, but not full, reimbursement to the City. At a 100 percent rate of reimbursement Bloomington is entitled to receive $2,594,890; but under the 65 percent formula Bloomington would get only $1,686,679. The difference is one of $908,211. Our bill is designed to assure

that as much of this sum as is feasible under the current authorization will be paid by the federal government.

Following action on the appropriation under the existing authorization, I plan to join with Senator Nelson and others in seeking a new authorization to bring federal payments up to the 100 percent reimbursement level.

Mr. President, the legislation we submit today would not undertake any new federal commitments. It would merely follow through on a commitment that dates back to 1966. I believe this responsibility must be met, and I am hopeful that the Senate Appropriations Committee will give favorable consideration to our proposal when markup on the E.P.A.'s fiscal 1975 budget begins.

Applicant	Project cost	Prior EPA grant	Reimburse at 100 percent	Reimburse at 65 percent	Difference
PROJECTS RECEIVING A PRIOR FEDERAL GRANT					
Albert Lea	156, 699	51, 710	34, 474	22, 408	12, 066
Alvarado	71, 634	21, 490	14, 327	9, 313	5, 014
Anoka	763, 297	251, 888	167, 925	109, 151	58, 774
Austin	1, 927, 800	403, 350	655, 940	426, 361	229, 579
Bagley	130, 305	39, 091	26, 061	16, 940	9, 121
Balaton	73, 621	24, 294	16, 197	10, 528	5, 669
Barnesville	150, 400	50, 520	32, 200	20, 930	11, 270
Baudette	147, 830	42, 600	31, 315	20, 355	10, 960
Belle Plaine	124, 051	40, 936	27, 292	17, 740	9, 552
Bellechester	53, 429	16, 028	10, 686	6, 946	3, 740
Bloomington	12, 315, 000	4, 178, 360	2, 594, 890	1, 686, 679	908, 211
Burnsville	303, 377	100, 110	66, 747	43, 386	23, 361
Claremont	84, 051	25, 215	16, 810	10, 972	5, 883
Clarks Grove	112, 708	3, 812	22, 542	14, 652	7, 890
Climax	75, 325	22, 597	15, 065	9, 792	5, 273
Cokato	218, 395	65, 518	43, 679	28, 391	15, 288
Cottage Grove	131, 675	38, 440	33, 981	22, 088	11, 893
Crookston	211, 859	116, 160	362	235	127
Dilworth	56, 256	18, 564	12, 376	8, 044	4, 332
Eagan Twp	389, 491	127, 640	86, 580	56, 277	30, 303
Evaleth	470, 970	136, 680	98, 805	64, 223	34, 582
Fairmont	2, 214, 100	546, 330	560, 720	364, 468	196, 252
Faribault	38, 306	11, 491	7, 662	4, 980	2, 682
Farmington	74, 914	23, 990	17, 212	11, 187	6, 025
Fergus Falls	574, 651	189, 634	126, 424	82, 176	44, 248
Do	83, 408	27, 480	18, 394	11, 956	6, 438
Fisher	62, 799	18, 839	12, 560	8, 164	4, 396
Floodwood	195, 351	58, 605	39, 070	25, 396	13, 674
Foley	91, 398	27, 419	18, 280	11, 882	6, 398
Forest Lake Tp	80, 320	26, 505	17, 671	11, 486	6, 185
Grand Rapids	180, 782	54, 234	36, 157	23, 502	12, 655
Granite Falls	168, 226	50, 467	33, 646	21, 870	11, 776
Hackensack	71, 491	21, 447	14, 298	9, 294	5, 004
Halstad	119, 736	35, 921	23, 947	15, 566	8, 381
Hastings	1, 719, 127	35, 921	378, 208	245, 835	132, 373
Hector	277, 004	83, 101	55, 401	36, 011	19, 390
Henderson	141, 601	42, 480	28, 320	18, 408	9, 912
Hendricks	87, 302	25, 500	18, 151	11, 798	6, 353
Heron Lake	126, 271	41, 669	27, 780	18, 057	9, 723
Hibbing	2, 673, 600	802, 080	534, 720	347, 568	187, 152
Hopkins	1, 224, 222	475, 660	200, 730	130, 475	70, 255
Hutchinson	1, 430, 769	429, 230	286, 154	186, 000	100, 154
Isanti	157, 047	47, 114	31, 409	20, 416	10, 993
Isle	183, 179	54, 169	37, 420	24, 323	13, 097
Kennedy	123, 553	37, 100	24, 676	16, 039	8, 637
Kerkhoven	114, 898	34, 470	22, 979	14, 936	8, 043
Lake Benton	67, 548	20, 264	13, 510	8, 782	4, 728
Lake City	197, 230	59, 169	39, 446	25, 640	13, 806
Lancaster	107, 969	35, 629	23, 753	15, 539	8, 214
Le Roy	145, 661	38, 100	34, 730	22, 575	12, 155
Lindstrom	159, 100	42, 630	36, 920	23, 998	12, 922
Little Canada	1, 282, 947	423, 380	282, 240	183, 456	98, 784
Do	327, 237	107, 988	71, 992	46, 795	25, 197
Long Prarie	301, 168	90, 350	60, 234	39, 152	21, 082
Mabel	225, 937	67, 781	45, 187	29, 372	15, 815
Mankato	3, 504, 800	785, 660	1, 141, 980	742, 287	399, 693
Mantorville	129, 503	38, 850	25, 901	16, 836	9, 065
Mapleton	202, 560	66, 844	44, 564	28, 967	15, 597
Maplewood	122, 464	40, 412	26, 943	17, 513	9, 430
Marble	110, 380	33, 114	22, 076	14, 349	7, 727
Marshall	145, 846	43, 750	29, 173	18, 962	10, 211
Medford	179, 529	59, 243	39, 497	25, 673	13, 824
Medicine Lake	49, 476	14, 842	9, 896	6, 432	3, 464
Medina	80, 218	26, 471	17, 648	11, 471	6, 177
Melrose	362, 489	119, 620	79, 748	51, 836	27, 912
Mendota Hgts	1, 576, 709	520, 314	346, 875	225, 469	121, 406
Mpls-St. P. (SD, 5 projects)	18, 861, 264	5, 416, 775	4, 956, 919	3, 221, 997	734, 922
Montgomery	219, 558	72, 435	48, 321	31, 409	16, 912
Moorhead	1, 131, 990	339, 597	226, 398	147, 159	79, 239
Motley	110, 104	33, 031	22, 021	14, 314	7, 707
MSBD [1] Apple, Va	767, 500	----------	422, 125	274, 381	147, 744
Northdale-Oakdale	1, 420, 346	468, 714	312, 476	203, 109	109, 367
Nashwauk	133, 847	40, 154	9, 369	6, 090	3, 279
New Brighton	994, 035	328, 031	218, 688	142, 147	76, 541
New Germany	116, 161	61, 210	2, 679	1, 741	938
New Prague	626, 920	186, 690	126, 770	82, 400	44, 370
Newfolden	92, 170	27, 651	18, 434	11, 982	6, 452
Oak Park Hgts	391, 603	129, 228	86, 153	55, 999	30, 154
Parkers Prair	100, 742	33, 244	22, 164	14, 407	7, 757
Pelican Rapids	50, 887	16, 792	11, 195	7, 277	3, 18
Perley	49, 037	14, 711	9, 807	6, 375	3, 432
Plymouth	1, 542, 000	544, 560	303, 540	197, 301	106, 239
Randall	134, 998	40, 499	27, 000	17, 550	9, 450
Redwood Falls	355, 505	106, 651	71, 101	46, 216	24, 885
Rochester	2, 471, 173	741, 351	494, 235	321, 253	172, 982
Rockford	153, 383	46, 015	30, 676	19, 939	10, 737
Russell	219, 476	65, 842	43, 896	28, 532	15, 364
Sartell	194, 300	58, 290	38, 860	25, 259	13, 601
Sauk Center	1, 300, 271	429, 089	286, 060	185, 939	100, 121
Stillwater	561, 563	185, 315	123, 859	80, 508	43, 351
SW Sanitary District 7	7, 268, 200	2, 392, 430	1, 605, 080	1, 043, 302	561, 778
Do	7, 017, 637	2, 189, 550	1, 670, 150	1, 085, 598	604, 552
Swanville	138, 050	41, 280	27, 745	18, 034	9, 711
Tracy	107, 331	32, 199	21, 466	13, 953	7, 513
Twin Cities (MSB-4 projects)	11, 432, 913	----------	6, 288, 095	4, 087, 262	2, 200, 833
Vadnais Hgts	1, 515, 357	500, 067	333, 379	217, 696	116, 683
Vermillion	95, 866	28, 760	19, 173	12, 462	6, 711
Waite Park	76, 930	23, 079	15, 386	10, 001	5, 385
Wanamingo	204, 999	61, 499	41, 000	26, 650	24, 450
Watertown	117, 114	35, 134	23, 423	15, 225	8, 198
Waubun	91, 627	27, 488	18, 325	11, 911	6, 414
Welcome	194, 019	57, 840	39, 169	25, 460	13, 709
White Bear Lk	2, 028, 968	669, 559	446, 373	290, 142	156, 231
Willow River	79, 311	23, 760	15, 895	10, 332	5, 563
Winona	109, 431	36, 111	24, 076	15, 649	9, 427
Do	3, 786, 017	1, 268, 910	813, 399	528, 709	284, 690
Winsted	222, 874	66, 822	44, 575	28, 974	15, 601
Wolverton	48, 038	13, 920	10, 099	6, 564	3, 535
Wood Lake	47, 051	14, 115	9, 410	6, 117	3, 293
Worthington	127, 151	38, 145	25, 430	16, 530	8, 900
PROJECTS NOT RECEIVING A PRIOR FEDERAL GRANT					
A den	4, 755	0	2, 377	1, 545	832
Do	11, 874	0	5, 937	3, 859	2, 078
Alexandria	386, 452	0	193, 226	125, 597	67, 629
Anoka	70, 615	0	38, 838	25, 245	13, 593
Bowlus	29, 815	0	14, 907	9, 690	5, 217
Carlos	87, 766	0	43, 883	28, 524	15, 359
Deer Creek	52, 430	0	26, 215	17, 040	9, 175
Dexter	83, 420	0	41, 710	27, 112	14, 598
Duluth	287, 376	0	158, 057	102, 737	55, 320
Erskine	188, 554	0	94, 277	61, 280	32, 997
Finlayson	251, 500	0	186, 293	121, 090	65, 203
Gonvick	321, 339	0	56, 150	36, 498	19, 652
Grand Rapids	1, 305, 000	0	116, 000	75, 400	41, 600
Hinckly	57, 955	0	28, 977	18, 835	10, 142
MSB,[1] Chanhassen	78, 835	0	43, 359	28, 183	15, 176
MSB,[1] Plymouth	171, 984	0	94, 591	61, 484	33, 107
MSB,[1] Point Douglas	187, 865	0	103, 325	67, 161	36, 164
MSB,[1] Richfield	12, 827	0	7, 054	4, 585	2, 469
Do	95, 360	0	52, 448	34, 091	18, 357
MSB,[1] St. Paul	180, 097	0	99, 053	64, 384	34, 669
Do	128, 371	0	70, 604	45, 893	24, 711
Neilsville	34, 145	0	17, 070	11, 096	5, 974
Racine	85, 440	0	28, 712	18, 663	10, 049
Red Lk. Falls	195, 295	0	48, 544	31, 554	16, 990
Royalton	67, 753	0	40, 350	26, 228	14, 122
Stacy	31, 880	0	15, 940	10, 361	5, 579
Underwood	68, 690	0	37, 779	24, 556	13, 223
Vergas	82, 216	0	41, 100	26, 715	14, 385

[1] Metropolitan Sewer Board.

Mr. COOK. Mr. President, it is with great pleasure that I cosponsor legislation introduced by my distinguished colleague from Wisconsin to provide some $600 million for the purpose of reimbursing cities and localities for funds spent in constructing waste treatment works. This legislation is particularly important to the Commonwealth of Kentucky as it attempts to more equitably repay those communities which in good faith initiated costly sewage treatment construction projects to meet the objective of clean water, but who had not been compensated, as required by law, for their efforts.

Section 206 of the Federal Water Pollution Control Act Amendments of 1972, Public Law 92–500, provides for reimbursement of 50 percent of project costs for all publicly owned sewage treatment works on which construction was initiated between June 30, 1966, and July 1, 1972. In cases where metropolitan area planning was involved, the reimbursable Federal share is 55 percent. Under the law, each qualified project is intended

to receive the amount necessary to provide a 50-percent Federal share, whether or not the project had received any Federal financial assistance or was eligible for a Federal incentive grant at the time of construction.

In 1972, when Public Law 92–399 made funds available for agriculture, environment, and consumer protection programs, $1.9 billion was appropriated by the Congress to meet the objective of section 206 to reimburse the States for the construction of sewage treatment works. I have been informed by the Environmental Protection Agency that, of the $1.9 billion appropriated, some $1,151,886,000 has been obligated through April 1974. In the Commonwealth of Kentucky, $4,197,000 has been obligated, while $4,040,000 has actually been paid. The balance of $157,000 remains to be paid.

I ask unanimous consent to place into the RECORD at this point in my remarks a list of municipalities in Kentucky eligible for funds under section 206, and also a list of municipalities that have not yet received partial funding for EPA for 206 reimbursement projects.

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

LIST OF MUNICIPALITIES

The following municipalities in Kentucky are eligible for funds from the U.S. Environmental Protection Agency pursuant to the section 206 program to reimburse a community that started a project between June 30, 1966 and July 1, 1972; and have received partial payment:

Murray, Kevil, Trenton, Grand Rivers, Wingo, Clay City, Beaver Dam, Henderson, Sturgis, Mayfield, Frankfort, Pleasure Ridge, Jeffersontown.

Covington, Campbellsville, Brodhead, Cumberland Falls, Harlan, Berea, Nicholasville, Shelbyville, Georgetown, Williamstown, Versailles, Butler, Perryville.

Worthington, Louisville, Lewisport, Springfield, Hawesville, Owensboro, Leitchfield, Bowling Green, Bonnieville, Lexington, Brooksville, Pippa Passes.

Villa Hills, London, Smithland, Madisonville, Bloomfield, Dawson Spring, Tompkinsville, Corbin, Richmond, Jamestown, Somerset, Danville, Paris, Lebanon, Elizabethtown, Franklin, Mt. Vernon.

The following municipalities in Kentucky have not received partial funding from EPA for 206 Reimbursement projects:

Louisville, Metropolitan Sewer District.

Commonwealth of Kentucky, Department of Parks.

Commonwealth of Kentucky, Department of Education.

Commonwealth of Kentucky, Department of Fish and Wildlife.

Commonwealth of Kentucky, Department of Corrections.

Commonwealth of Kentucky, Department of Human Resources.

Lexington, Providence, Ashland, Madisonville, Marion, Hickman, Stanton, Scottsville, Versailles.

Mr. COOK. Mr. President, it is inconceivable that EPA has moved so slowly in disbursing the appropriated funds to the States. What is even more incredible, however, is that while EPA recognizes substantial additional funding is essential to carry on the objective of section 206, the appropriate steps to assure the availability of that funding have not been taken. For example, various and conflicting figures have been cited by EPA officials as the amount necessary to reimburse the States under section 206. These estimates range from $1 to $1.3 billion in addition to the $1.9 billion presently available. And with today's inflation, this cost will no doubt be higher the longer the States are not reimbursed. Of this total $3 billion estimated need for section 206, Kentucky claims for funding filed with EPA total $9,800,000, more than double what EPA has obligated to be paid.

In its budget request for fiscal year 1975, the administration requested no additional authority under section 206, although clearly a need for additional funds has been demonstrated. Public Law 93–207 authorizes a total of $2.5 billion for the purposes of section 206. This increased authorization, of $600 million, while not sufficient to meet the total projected need of $3 billion, indicates Congress recognition that reimbursement to the States needs a shot in the arm. Senator NELSON's legislation will properly extend section 206 to the authorized level.

In addition, the longer the Congress delays in appropriating the additional funding, interest on the loans taken out by the cities to pay for the eligible Federal share continues to mount, causing an unnecessary and unwarranted tax burden on the people of the Commonwealth.

It seems obvious to me that, if on the one hand the Congress is mandating that the struggle for clean water should move forward at a much faster pace, as I believe, it must, then it is imperative the means be provided to accomplish this important objective. This legislation acknowledges additional financial assistance is needed, and I am glad to be part of the effort to assure its continued availability.

With the timely consideration of this legislation, we have the opportunity to redress an irrational situation. I urge my colleagues to study this proposal, and lend their support to its objectives.

By Mr. RIBICOFF (for himself, Mr. WEICKER, Mr. GRIFFIN, Mr. MCINTYRE, Mr. COTTON, Mr. HART, Mr. JAVITS, Mr. PELL, and Mr. PASTORE):

S. 3657. A bill to exempt State lotteries from certain Federal prohibitions, and for other purposes. Referred to the Committee on Finance.

SAFEGUARDING CONNECTICUT'S LOTTERY

Mr. RIBICOFF. Mr. President, today I am introducing legislation to assure that Connecticut and other legal State lotteries continue to be exempt from the 10-percent Federal excise tax on wagering. This could save the people of Connecticut over $8 million.

My legislation makes clear that all State-run lotteries are to be exempt from the 10-percent Federal excise tax.

In 1965 Congress enacted a 10-percent excise tax on gambling but exempted State-run lotteries from the tax. The language of the exemption was tailored to the only State-run lottery in existence at that time—the New Hampshire horse race sweepstakes lottery. Since the winners of that lottery were determined by the results of a horse race, the exemption language of section 4402(3)(B) was that the winners be determined "by the results of a horse race."

Since that time many States have developed lotteries to help generate needed revenues for State programs. Many of these lotteries have little or no connection with a horse race and due to a recent change in IRS policy they now face the prospect of paying the 10-percent gaming tax.

If Connecticut is forced to pay the 10-percent excise tax retroactive to February 24, 1972, when the lottery began, the State would be required to pay the IRS $8,650,135 as of May 31, 1974. This money would have to be appropriated by the General Assembly.

Connecticut's lottery has helped our State to meet its budget requirements. Since its inception the Connecticut lottery has contributed over $32 million to the State's general fund. This fund helps meet health, educational, and other important needs in our State. To force the State to pay more money to the Federal Government for the privilege of running the lottery would not only deprive Connecticut of needed revenues but would result in added administrative costs to the program and in all probability cut down on the amount of prize money which could be awarded. Connecticut's citizens pay their full share of taxes to the Federal Government. They should not be forced to pay millions of extra dollars to the Federal Government.

The bill also continues the exemption of State lottery employees and agents from the $50 a year occupational tax. Today there are 3,300 Connecticut lottery sales agents. Approximately 60 percent of these agents sell less than 250 tickets per week and agents receive only a 5-percent commission on each 50-cent ticket sold. Imposition of a $50 tax would discourage many of these agents from continuing to work as agents and such a situation could adversely affect our lottery.

I am pleased that similar legislation has been introduced in the House by a number of members of the Ways and Means Committee.

The Treasury Department, in a letter to House Ways and Means Chairman WILBUR MILLS indicates that the Department is in favor of exempting State lotteries from the imposition of wagering taxes.

I hope quick action can be taken to preserve the financial stability of the Connecticut lottery.

Mr. WEICKER. Mr. President, today I am pleased to join my distinguished colleague from Connecticut, Senator RIBICOFF, in introducing legislation to amend the Internal Reveune Code of 1954 to assure tax-exempt status for State lotteries.

Section 4401 of the Internal Revenue Code of 1954 imposes a 10-percent tax on the amount of wagers made, to be paid by anyone engaged in the business of accepting wagers, including any person conducting a lottery. A related occupational tax of $50 per year is imposed on each person who is liable for tax under section 4401 or who is engaged in re-

ceiving wagers for or on behalf of any person so liable.

In 1963 New Hampshire became the first State in recent history to establish a State lottery. In order to exempt New Hampshire's lottery from these taxes, Congress, in 1965, added as section 4402 (3) of the Code, an exemption for State-conducted sweepstakes, wagering pools, or lotteries. The exemption was drafted narrowly to encompass the New Hampshire type of lottery. The provision of particular concern is the restriction that ultimate winners must be determined "by the results of a horse race." It is this anachronistic language which this bill seeks to redefine.

Since the appearance of the New Hampshire lottery, eight other States have established and are operating lotteries; namely, Connecticut, Maryland, Massachusetts, Michigan, New Jersey, New York, Pennsylvania, and Rhode Island. Four other States have either authorized or are investigating the feasibility of lottery operations: Maine, Delaware, Illinois, and Ohio.

However, the lotteries which have been established since 1965, including a revised version of the New Hampshire lottery, differ substantially in the manner in which they operate from the form of lottery which was made exempt by Congress in 1965. Although most States use a format which gives the appearance that the ultimate winners are determined on the basis of a horse race, in point of fact in every case, ultimate winners are determined by an official drawing. Consequently, the lotteries as conducted do not satisfy the prerequisite for exemption under section 4402(3).

It is my understanding that the Internal Revenue Service may soon rule against the State lotteries in the near future, thus making the lotteries liable for the 10-percent excise tax and lottery sales agents liable to pay a special $50 tax. In a letter dated April 29, 1974, from Treasury Assistant Secretary Frederick W. Hickman to Chairman WILBUR MILLS of the House Ways and Means Committee, the Treasury Department stated that it was in favor of exempting State lotteries from the imposition of wagering taxes.

> The Treasury Department favors the exemption of State lotteries from the imposition of wagering taxes. Such an exemption is consistent with the Administration's program of revenue sharing which is intended to provide the States with greater revenues.

Therefore, given the support of the Treasury Department and the administration, as well as the clear intent of Congress in previously amending the Internal Revenue Code to exempt the first State lottery, it would seem imperative that Congress should immediately clarify the tax exempt status of the State lotteries. I urge my colleagues to give this important amendment favorable and expeditious consideration.

By Mr. BIDEN:

S. 3658. A bill to protect purchasers and prospective purchasers of condominium housing units, and residents of structures being coverted to condominium units, by providing for disclosure and regulation of condominium sales by the Secretary of Housing and Urban Development. Referred to the Committee on Banking, Housing and Urban Affairs.

CONDOMINIUM DISCLOSURE ACT

Mr. BIDEN. Mr. President, man has witnessed the development of many housing concepts, which were utilized as the need arose to account for density, growth restrictions, and financing. Today, the American consumer can choose from these various housing concepts: single family homes, mobile home, rental apartments, cooperatives, and the condominium. Once viewed as a housing alternative for the wealthy by the seashore, it is now a realistic alternative for the young family and the elderly. Now that residential housing construction outlays have dropped $4.5 billion in the first quarter of 1974, and housing starts are now running approximately 600,000 behind last year's level, real estate developers have realized that condominium construction offers an exciting prospect for profit. In a series of articles which were printed in the Washington Post, Thomas Lippman pointed out that statistics on the growth of condominium developments show:

> This year according to the National Association of Home Builders, they (condominiums) will account for nearly a quarter of all housing units sold in this country. In the cities, the impact is even greater—a HUD survey estimated that in 25 major metropolitan areas, about half of all new units being built for sale in 1973 were condominiums.

Condominium living can be mutually advantageous to the developer and the purchaser. The developer may sell the units at a profit, invest the return into a more lucrative project, and turn over maintenance responsibilities to the purchasers. On the other hand, the purchaser obtains ownership with limited chore responsibility. This mode of living comes closer than other forms of housing to combining the efficiency and economy of multifamily living with the economic benefits of homeownership. And the advantages include ownership of property, tax deductions, relative freedom from maintenance, buildup of equity, and access to communal facilities that would be too expensive for the individual home owner like swimming pools or tennis courts. In his series of articles, Thomas Lippman summarizes these advantages for the consumer:

> The single family home remains the most desired form of dwelling but it is also the most expensive and the least efficient in terms of land use and energy . . . As a result, many people who want to buy homes such as young families, are turning to condominiums, which may not provide spacious yard or seclusion but do generally provide the same tax benefits and protection against inflation that home ownership does.

However, recent studies have shown that there are pitfalls and myriad difficulties which accompany the condominium style of living. Consumers are prey to inadequate disclosure and enforcement laws or underestimate their new responsibilities for maintenance. One reason for the misunderstanding in the field is that many purchasers believe that State and Federal laws will protect them from misrepresentation or deceptive practices by the developer and his salesmen. Some States require disclosure laws while others require minimal disclosure laws and only superficial review.

Today, I am introducing national legislation which would provide for uniformity, standards, and regulation in the condominium sales and provide for the protection of the consumer. Enforcement, regulation, and administration of the provisions of this act rest under the auspices of the Secretary of Housing and Urban Development. It would require the filing of a registration statement with the Secretary of Housing and Urban Development disclosing pertinent information, and would make it unlawful for any developer or agent to make use of any means or instruments of transportation or communication in interstate commerce, or of the mails to defraud or deceive any purchaser of a condominium. Like the Interstate Land Sales Full Disclosure Act, 15 U.S.C. 1701, this act is intended to insure that facts needed by purchasers to make a sound business judgment are disclosed truthfully and completely.

The act contains provisions which designate particular information required in a public offering statement and the registration statement. To insure proper and full disclosure, the Secretary would be authorized to conduct investigations with a view toward determining compliance with the provisions of this act and may issue rules, regulations, and orders which are necessary for the exercise of this function. If, after investigation, the Secretary determines that the provisions of this act have been violated, he may bring an action in the district courts of the United States.

Mr. President, I ask unanimous consent that the text of the Condominium Disclosure Act, the series of articles by Thomas Lippman, and an article by Donald Baker, also of the Washington Post be printed in the CONGRESSIONAL RECORD following my remarks.

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

S. 3658

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 "Condominium Disclosure Act".

DEFINITIONS

SEC. 2. For the purposes of this Act, the term—

(1) "Secretary" means the Secretary of Housing and Urban Development;

(2) "person" means an individual, an unincorporated organization, partnership, association, corporation, trust, or estate;

(3) "condominum" means a single family dwelling unit which is sold or offered for sale together with an undivided interest in common areas of the project in which the condominium is located;

(4) "project" means 20 or more condominiums related by common areas in which undivided interests are sold or offered for sale with each condominium;

(5) "condominium instruments" means all legal instruments, contracts, plats, plans, or other documents which are recorded or filed, with respect to a project, under local law, or which the Secretary, by regulation, determines are relevant to the rights of a

purchaser of a condominium in a project and to the effective enforcement of this Act;

(6) "developer" means any person who, directly or indirectly, sells or leases, offers to sell or lease, or advertises for sale or lease any condominium in a project;

(7) "agent" means any person who represents or acts for or on behalf of a developer in selling or leasing or offering to sell or lease any condominium in a project, but such term does not include an attorney at law whose representation of another person consists solely of rendering legal services;

(8) "interstate commerce" means trade or commerce among the several States;

(9) "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States;

(10) "purchaser" means an actual or prospective purchaser or lessee of a condominium in a project; and

(11) "offer" includes any inducement, solicitation, or attempt to encourage a person to acquire a condominium in a project.

EXEMPTIONS

SEC. 3. (a) Unless the method of disposition is adopted for the purpose of evasion of this Act, the provisions of this Act shall not apply to—

(1) the sale or lease or real estate not pursuant to a common promotional plan to offer or sell or more condominiums in a project;

(2) the sale or lease of condominiums solely for commercial or industrial purposes or uses;

(3) the sale or lease of real estate under or pursuant to court order; or

(4) the sale or lease of real estate by any government or government agency.

(b) The Secretary may from time to time, pursuant to rules and regulations issued by him, exempt from any of the provisions of this Act any condominium or project, if he finds that the enforcement of this Act with respect to such condominium or project is not necessary in the public interest or for the protection of purchasers.

PROHIBITIONS

SEC. 4. (a) It shall be unlawful for any developer or agent, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce, or of the mails—

(1) to sell or lease any condominium in any project unless a statement of record with respect to such condominium is in effect in accordance with section 7 and a printed public offering statement, meeting the requirements of section 8, is furnished to the purchaser in advance of the signing of any contract or agreement for sale or lease by the purchaser; and

(2) in selling or leasing, or offering to sell or lease, any condominium in a project—

(A) to employ any device, scheme, or artifice to defraud, or

(B) to obtain money or property by means of a material misrepresentation with respect to any information included in the statement of record or the public offering statement or with respect to any other information pertinent to the lot or the subdivision and upon which the purchaser relies, or

(C) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser.

(b) Any contract or agreement for the purchase or leasing of a condominium in a project covered by this Act, where the public offering statement has not been given to the purchaser in advance or at the time of his signing, shall be voidable at the option of the purchaser. A purchaser may revoke such contract or agreement within 10 days, where he has received the public offering statement less than 48 hours before he signed the contract or agreement, and the contract or agreement shall so provide.

REGISTRATION OF PROJECTS

SEC. 5. (a) A project shall be registered by filing with the Secretary a statement of record, meeting the requirements of this Act and such rules and regulations as may be prescribed by the Secretary in furtherance of the provisions of this Act. A statement of record shall be deemed effective only as to the condominiums specified therein.

(b) At the time of filing a statement of record, or any amendment thereto, the developer shall pay to the Secretary a fee of $750, which may be used by the Secretary to cover the cost of rendering services under this Act, and such expenses as are paid from such fees shall be considered nonadministrative.

(c) The filing with the Secretary of a statement of record, or of an amendment thereto, shall be deemed to have taken place upon the receipt thereof, accompanied by payment of the fee required by subsection (b).

(d) The information contained in or filed with any statement of record shall be made available to the public under such regulations as the Secretary may prescribe and copies thereof shall be furnished to every applicant at such reasonable charge as the Secretary may prescribe.

INFORMATION REQUIRED IN STATEMENT OF RECORD

SEC. 6. The statement of record shall contain the information and be accompanied by the documents specified hereinafter in this section:

(1) The name and address of each person having an interest in the condominiums in the project to be covered by the statement of record and the extent of such interest.

(2) The developer's name, address, and in the case of an organization, the form, date, and jurisdiction of organization, and the address of each of its officers.

(3) The name, address, and principal occupation for the past 3 years of every officer of the developer.

(4) A statement of the condition of title to the project including encumbrances as of a specified date not more than 30 days preceding the date of application, by a title opinion of a licensed attorney who is not a salaried employee, officer, or director of the developer, or by other evidence of title acceptable to the Secretary.

(5) A copy of each condominum instrument.

(6) A copy of any management agreement, employment contract, or other contract or agreement affecting the use, maintenance, or access to all or a part of the project.

(7) A statement of any zoning or other governmental regulations affecting the use of the project, including the site plans and building permits and their status, and a statement of existing or proposed special taxes or assessments which may affect the project.

(8) A narrative description of the promotional plan for the disposition of the condominiums in the project.

(9) A copy of the proposed public offering statement.

(10) In the case of a condominium conversion, satisfactory assurances that existing tenants were given ninety days notice of the intent to convert and a sixty day exclusive option to buy the unit.

TAKING EFFECT OF STATEMENTS OF RECORD AND AMENDMENTS THERETO

SEC. 7. (a) Except as hereinafter provided, the effective date of a statement of record, or any amendment thereto, shall be the thirtieth day after the filing thereof or such earlier date as the Secretary may determine, having due regard to the public interest and the protection of purchasers. If any amendments to any such statement is filed prior to the effective date of the statement, the statement shall be deemed to have been filed when such amendment was filed; except that such an amendment filed with the consent of the Secretary, or filed pursuant to an order of the Secretary, shall be treated as being filed as of the date of the filing of the statement of record.

(b) If it appears to the Secretary that a statement of record, or any amendment thereto, is on its face incomplete or inaccurate in any material respect, the Secretary shall so advise the developer within a reasonable time after the filing of the statement or the amendment, but prior to the date the statement or amendment would otherwise be effective. Such notification shall serve to suspend the effective date of the statement or the amendment until 30 days after the developer files such additional information as the Secretary shall require. Any developer, upon receipt of such notice, may request a hearing, and such hearing shall be held within 20 days of receipt of such request by the Secretary.

(c) If, at any time subsequent to the effective date of a statement of record, a change occurs affecting any material fact required to be contained in the statement, the developer shall promptly file an amendment thereto. Upon receipt of any such amendment, the Secretary may, if he determines such action to be necessary or appropriate in the public interest or for the protection of purchasers, suspend the statement of record until the amendment becomes effective.

(d) If it appears to the Secretary at any time that any statement of record which is in effect includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Secretary may, after notice, and after opportunity for hearing (at a time fixed by the Secretary) within 15 days after such notice, issue an order suspending the statement of record. When such statement has been amended in accordance with such order, the Secretary shall so declare and thereupon the order shall cease to be effective.

(e) The Secretary is authorized to make an examination in any case to determine whether an order should issue under subsection (d). In making such examination, the Secretary or anyone designated by him shall have access to and may demand the production of any books and papers of, and may administer oaths and affirmations to and examine, the developer, any agents, or any other person, in respect of any matter relevant to the examination. If the developer or any agent fails to cooperate, or obstructs or refuses to permit the making of an examination, such conduct shall be proper ground for the issuance of an order suspending the statement of record.

(f) Any notice required under this section shall be sent to or served on the developer or his authorized agent.

INFORMATION REQUIRED IN PUBLIC OFFERING STATEMENT

SEC. 8. (a) A public offering statement relating to the condominiums in a project shall contain such of the information contained in the statement of record, and any amendments thereto, as the Secretary may deem necessary, and shall disclose fully and accurately the characteristics of the project and the condominiums therein offered and shall make known to prospective purchasers all unusual and material circumstances or features affecting the condominiums, including—

(1) the name and address of the registrant;

(2) a general narrative description of the project stating the total number of units planned to be sold or rented; the total number of units that may be included in the

project by reason of future expansion or merger of the project by the registrant;

(3) copies of the declaration and bylaws, with a brief narrative statement describing each and including information on declarant control, a projected budget for at least the first year of the project's operation (including projected common expense assessments for each unit), and provisions for reserves for capital expenditures and restraints on alienation;

(4) copies of any management contract, lease of recreational areas, or similar contract or agreement affecting the use, maintenance, or access to all or any part of the project with a brief narrative statement of the effect of relationship, if any, between the registrant and the managing agent;

(5) a general description of the status of construction, zoning, site plan approval, issuance of building permits, or compliance with any other State or local statute or regulation affecting the project;

(6) the significant terms of any encumbrances, easements, liens, or other matters of title affecting the project;

(7) significant terms of any financing offered by the registrant to purchaser of units in the project;

(8) provisions of any warranties provided by the developer on the units and the common elements; and

(9) a statement of the rights of a purchaser under section 4(b).

(b) The public offering statement shall not be used for any promotional purposes before registration of the project and afterwards only if it is used in its entirety. The Secretary shall require that the registrant alter or amend the proposed public offering statement in order to assure full and fair disclosure to prospective purchasers. No change in the substance of the promotional plan or plan of disposition or development of the project may be made after registration without notifying the Secretary without an appropriate amendment to the public offering statement.

INVESTIGATIONS

SEC. 9. (a) The Secretary shall conduct such investigations as may be appropriate to determine the extent of compliance with section 4(a) by a developer or agent. If the Secretary finds any material misrepresentation in any case, he shall afford the developer a ten-day period to correct the representation.

(b) Whenever it shall appear to the Secretary that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this Act or of any rule or regulation prescribed hereunder, he may, in his discretion, bring an action in any district court of the United States or the United States District Court for the District of Columbia to enjoin such acts or practices, and, upon a proper showing, a permanent or temporary injunction or restraining order shall be granted without bond. The Secretary may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute the appropriate criminal proceedings under this Act.

(c) The Secretary may, in his discretion, make such investigations as he deems necessary to determine whether any person has violated or is about to violate any provision of this Act or any rule or regulation prescribed hereunder, and may require or permit any person to file with him a statement in writing, under oath or otherwise as the Secretary shall determine, as to all the facts and circumstances concerning the matter to be investigated. The Secretary is authorized, in his discretion, to publish information concerning any such violations, and to investigate any facts, conditions, practices, or matters which he may deem necessary or proper to aid in the enforcement of the provisions of this Act, in the prescribing of rules and regulations thereunder, or in securing information to serve as a basis for recommending futher legislation concerning the matters to which this Act relates.

(d) For the purpose of any such investigation, or any other proceeding under this Act, the Secretary, or any officer designated by him, is empowered to administer oaths and affirmations, subpena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memorandums, or other records which the Secretary deems relevant or material to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the United States or any State at any designated place of hearing.

(e) In case of contumacy by, or refusal to obey a subpena issued to any person, the Secretary may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books, papers, correspondence, memorandums, and other records and documents. Such court may issue an order requiring such person to appear before the Secretary or any officer designated by the Secretary, there to produce records, if so ordered, or to give testimony touching the matter under investigation or in question; and any failure to obey such order or the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever he may be found.

UNLAWFUL REPRESENTATIONS

SEC. 10. The fact that a statement of record with respect to a project has been filed or is in effect shall not be deemed a finding by the Secretary that the statement of record is true and accurate on its face, or be held to mean the Secretary has in any way passed upon the merits of, or given approval to, such project. It shall be unlawful to make, or cause to be made, to any prospective purchaser any representation contrary to the foregoing.

PENALTIES

SEC. 11. Any person who willfully violates any provision of this Act or the rules and regulations prescribed hereunder, or any person who willfully, in a statement of record filed under, or in a public offering statement issued pursuant to this Act, makes any untrue statement of a material fact or omits to state any material fact required to be stated therein, shall upon conviction be fined not more than $5,000 or imprisoned not more than 5 years, or both.

RULES, REGULATIONS, AND ORDERS

SEC. 12. The Secretary is authorized to issue such rules and regulations and such orders as are necessary or appropriate elsewhere in this Act, and for such purpose, he may classify persons and matters within his jurisdiction and prescribe different requirements for different classes of persons or matters.

COURT REVIEW OF ORDERS

SEC. 13. (a) Any person aggrieved, by an order or determination of the Secretary issued after a hearing, may obtain a review of such order or determination in the court of appeals of the United States, within any circuit wherein such person resides or has his principal place of business, or in the United States Court of Appeals for the District of Columbia, by filing in such court, within 60 days after the entry of such order or determination, a written petition praying that the order or determination of the Secretary be modified or be set aside in whole or in part. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Secretary, and thereupon the Secretary shall file in the court the record upon which the order or determination complained of was entered, as provided in section 2112 of title 28, United States Code. No objection to an order or determination of the Secretary shall be considered by the court unless such objection shall have been urged before the Secretary. The finding of the Secretary as to the facts, if supported by substantial evidence, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the Secretary, the court may order such additional evidence to be taken before the Secretary and to be adduced upon a hearing in such manner and upon such terms and conditions as to the court may seem proper. The Secretary may modify his findings as to the facts by reason of the additional evidence so taken, and shall file such modified or new findings, which, if supported by substantial evidence, shall be conclusive, and his recommendation, if any, for the modification or setting aside of the original order. Upon the filing of such petition, the jurisdiction of the court shall be exclusive and its judgment and decree, affirming, modifying, or setting aside, in whole or in part, any order of the Secretary, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

(b) The commencement of proceedings under subsection (a) shall not, unless specifically ordered by the court, operate as a stay of the Secretary's order.

JURISDICTION OF OFFENSES AND SUITS

SEC. 14. (a) The district courts of the United States, the United States courts of any territory, and the United States District Court for the District of Columbia shall have jurisdiction of offenses and violations under this Act and under the rules and regulations prescribed by the Secretary pursuant thereto, and concurrent with State courts, of all suits in equity and actions at law brought to enforce any liability or duty created by this Act. Any such suit or action may be brought to enforce any liability or duty created by this Act. Any such suit or action may be brought in the district wherein the defendant is found or is an inhabitant or transacts business, or in the district where the offer or sale took place, if the defendant participated therein, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided in sections 1254 and 1291 of title 28, United States Code. No case arising under this Act and brought in any State court of competent jurisdiction shall be removed to any court of the United States except where the United States or any officer or employee of the United States in his official capacity is a party. No costs shall be assessed for or against the Secretary in any proceeding under this Act brought by or against him in the Supreme Court or such other courts.

APPROPRIATIONS

SEC. 15. There are authorized to be appropriated such sums as may be necessary to carry out this Act.

EFFECTIVE DATE

SEC. 16. This Act shall take effect upon the expiration of two hundred and seventy days after the date of its enactment.

[From the Washington Post, May 26, 1974]

THE CONDOMINIUM BOOM

(By Thomas W. Lippman)

For hundreds of thousands of people, finding a place to live in the Washington metropolitan area is a radically different process from what it was two or three years ago.

A new kind of housing, the condominium,

has come from out of nowhere to take a big and growing share of the housing market. A change that is sure to be striking, but is still only dimly perceived and little understood, is coming to this community.

About 40,000 condominium dwellings will go on sale in the area this year. About half are newly built. The other half used to be rental apartments, but are being taken out of the rental market and sold.

Not only are existing rental apartments being converted to condominiums at a rapid rate, but the number of new apartments being built for rent to an expanding population is dwindling. Throughout the late 1960s and until about two years ago, new apartments for rent were coming onto the Washington market at a rate of about 18,000 a year. This year the figure is expected to be 5,000 at the most.

Aside from rental apartments, the smallest category of housing now in production in the Washington area is the single family home. In the 1960's, these represented more than half of all housing units, sale or rental, that were built here. Now they represent perhaps 25 percent of housing production, and the figure is declining, as sewer-hookup moratoriums, gasoline shortages, high construction costs and tight money take their toll. Housing production, itself, of all types, is declining, except in Alexandria, as developers encounter zoning restrictions, and vast stretches of open land are put off limits to construction because of sewage problems—but the area's population continues to increase.

These numbers, obtained from a variety of sources in the housing industry and local governments, only begin to tell the story of the change in Washington's traditional way of housing its people. Most persons who will buy a newly-built residence in the Washington area this year and next will buy condominiums, and a steadily-increasing percentage of the resale market will also be condominiums.

The longstanding system in which transient residents, single people, young couples and the elderly lived in rental apartments while families lived in single-family homes, appears to be changing beyond recall. The condominium is a symptom, not a cause, of the change.

"In the next five years," said William Regardie, an analyst of housing data who operates his own statistical service for the industry, "you will see more profound changes in the way people live than in the previous 150 years."

Other sources interviewed in the preparation of these articles—lawyers, politicians, builders, home buyers, realtors—said the same thing in less apocalyptic terms. In general they agreed that for a variety of reasons ranging from zoning policy to high lumber prices, the condominium is going to take a large, perhaps dominant, share of a tightening market.

More and more the "starter home," the first house purchased by a young faimily, is not a house at all but a condominium apartment, because that little three-bedroom rambler is priced out of reach.

And the last home for many of the elderly is now a condominium too, because the rental units where they live are being converted. Ever larger numbers of the people who now live in the area's 450,000 apartments will have to buy or move, with fewer rental units to move to, industry analysts say.

No one seems to know what this will mean for the Washington area five or 10 years from now. Dire predictions and off-the-cuff speculation abound, but no governmental, volunteer or industry planning staff appears to have made any long-range analysis of how these changes are going to affect the life of the community, or whether they are good or bad.

Because it is so new and still represents less than 10 per cent of the area's total housing stock, the condominium is unfamiliar to most Washingtonians, though it is common in Europe and South America and originated in ancient Rome. The word itself is Latin, used to describe the concept of joint property ownership in Roman law.

A U.S. Department of Housing and Urban Development pamphlet gives this definition:

"In a condominium, an individual owns separately one or more dwelling units in a multi-unit project. He and the owners of the other units have an undivided interest in the common area and facilities that serve the project. The common areas include such elements as land, roofs, floors, main walls, stairways, lobbies, halls, parking space, and community and commercial facilities."

In summary, the buyer owns his apartment. He and the other owners jointly own the rest of the development and have joint responsibility for maintaining it.

There are also condominium townhouse developments, in which each unit is owned individually and the grounds and recreation areas are owned jointly. These differ from traditional town houses only in small ways. The real impact of the condominium phenomenon is being felt among apartment dwellers.

Well over 10 per cent of all apartments in the Washington area may be condominiums by the end of this year, with the trend accelerating. Almost all new apartments are condominiums, rather than rentals. One of the few new rental projects, a high-rise in Prince George's County, advertises itself as "the apartment you don't have to buy."

What this means is that ever-increasing numbers of people who want apartments to rent are being forced either to buy apartments instead or find some other form of housing—nobody seems quite sure what that might be. The simultaneous decline in production of single-family homes, added to the skyrocketing prices of both new and existing houses, means that ever-increasing numbers of people who want to buy are buying condominiums instead of traditional houses.

People interviewed for these articles about their housing situation sounded as if they had all memorized the same line—"we wanted a house, but there was no way we could buy one." They bought condominiums instead.

A whole new group of condominium specialists has sprung up in the legal, financial and real estate professions as demands for their advice come in from developers and buyers to whom the whole idea is still a novelty. These experts themselves are still learning, trying to keep pace with a burst of condominium control laws from state and county legislatures, landmark rulings from the Internal Revenue Service, and the first trickle of court cases that will shape condominium law.

"If I'm an expert," said Devin J. Doolan, a Montgomery County legislator who as a lawyer has represented both developers and buyers of condominiums, "it's because in the country of the blind, the one-eyed man is king."

The 1961 National Housing Act authorized the Federal Housing Administration to insure mortgages on condominiums, but only in states where condominium developments were specifically recognized and authorized by law. At the time, only Puerto Rico had such legislation, although a few condominiums existed elsewhere, but by 1968 all 50 states and the District of Columbia had adopted similar measures.

This year, according to the National Association of Home Builders, they will account for nearly a quarter of all housing units sold in the country. In the cities, the impact is even greater—a HUD survey estimated that in 25 major metropolitan areas, about half of all new units being built for sale in 1973 were condominiums. The impact is being felt especially strongly in Washington because condominiums are being built instead of, rather than in addition to, the traditional kinds of housing.

There are dozens of reasons for the condominium boom here, but the principal ones seem to be these, according to persons knowledgeable about the industry:

The single family home remains the most desired form of dwelling but it is also the most expensive and the least efficient in terms of land use and energy. It costs so much to build one that the minimum selling price is beyond the reach of all but a small segment of the population, and the decline of subdivision building in the suburbs can only increase the prices of the houses that do get built.

The prices of existing houses are also increasing by as much as 25 per cent a year as demand outstrips supply and inflation continues. As a result, many people who want to buy homes, such as young families, are turning to condominiums, which may not provide spacious yards or seclusion but do generally provide the same tax benefits and protection against inflation that home ownership does.

A two-bedroom condominium in an attractive neighborhood, complete with community pool and other facilities, may be available for $20,000 less than a traditional three-bedroom home nearby.

As for the apartment market, owners of existing rental buildings say they cannot continue to make a profit because of skyrocketing utility and maintenance costs, coupled with rent control. The builders of new apartments say that it costs so much to build them, and the interest rates on their long-term financing are so high, that the rents would be prohibitive. So they too turn to condominiums which are thus gobbling up a large share of the residential market.

As with single-family homes, the condominium concept covers a wide variety of housing and a wide range of prices. In the District of Columbia, former rental projects that have been or are being converted into condominiums range from Fairfax Village, a pre-war garden development in Anacostia, to stately luxury buildings along upper Massachusetts and Connecticut Avenues where some apartments cost more than $100,000.

In the suburbs, they range from Tyler Gardens, a blue-collar garden apartment developed in Falls Church to high rises in Bethesda with swimming pools, tennis courts and doormen.

There is a similar range among new developments, some apartments are available for as little as about $17,000 in Prince George's County while there is a project in Foggy Bottom where prices start at more than $135,000. Nor are they limited to the District and the close-in suburbs—there are condominiums in Gaithersburg, in Columbia, in Manassas.

They have the same kinds of gimmicky names that developers everywhere love, like "Cherrywood" or "The Representative," and generally are advertised in the same way as traditional subdivisions with emphasis on ownership, on tax deductions, on the communal recreation facilities—in some of the promotional material, the word "apartment" never appears at all. As with any other kind of housing, some are well-built, others are not: some projects are selling briskly, others are not.

Yet the buying public is only beginning to understand the potential pitfalls of condominium ownership, and the community at large is only beginning to think about what the trend to condominum development is going to mean for the future of the Washington area.

"There is a normal life cycle of housing," said John T. O'Neill, executive vice president of the Apartment and Office Association of Metropolitan Washington.

"Housing of four kinds—single family,

town houses, rental apartments and condominiums—comes on stream, lives 40 to 50 years, becomes physically or economically obsolete, and is replaced. That cycle is all screwed up here. You've essentially topped the front end, except for condos."

But, O'Neill said, "The demand for rental housing has not changed. We have a 39 or 40 per cent turnover in the units of this association's members every year. The other 60 per cent are your permanent renters. They are going to be forced to buy. Those who are going to be hurt are the new family formations, the young couples who need an apartment, the pure tenants who want two- or three-year rentals," O'Neill said. "You take that man who gets assigned to a two-year tour at the Pentagon, he'll be up the creek in a couple of years."

O'Neill, who speaks for most area landlords, said that if restrictive zoning laws and "no-growth" policies in the suburbs continue to reduce housing construction, "A few years from now we'll be sitting around and asking, my god what have we done? We'll be offering incentives to developers to build rental housing."

G. V. (Mike) Brenneman, president of Brenneman Associates, a realty firm that deals in the resale of condominiums, said there is "no end in sight to the pressures on the landlords, or to the desire to own, or to inflation. The trend to condominiums can only accelerate," with still-unknown consequences for the long-range future of the community.

"What other choice is there?" asked Bruce Steele, a housing analyst for the Metropolitan Washington Council of Governments. "No single-family homes will be built for less than $60,000 next year, unless you're really out in the fringe areas. Even town houses are over $40,000, and there is still a high demand for home ownership, so what is the choice?

"This is the only metropolitan area in the top 10 with a real positive growth rate over the past three years. There is an extremely high rate of household formation, partly due to the maturing of postwar babies and partly due to marriage among people who came here as singles. This area has a large percentage of middle-class people and is less prone to recession because the government is the principal employer. Add this pressure for housing to development restrictions and sewer hookup moratoriums and the prices respond to economic forces."

Charles Jay Pilzer, a lawyer who has specialized in condominium work, said, "it's a concept whose time has arrived. We're running out of resources and land. The individual home has been the ideal, and the zoning laws based on that are very conservative, but they don't really provide for development. The city is growing and a lot of people will just have to buy."

The implication of these remarks is that condominiums which come closer than other forms of housing to combining the efficiency and economy of multifamily living with the economic benefits of home ownership will continue to take a large share of the market. The idea that the bubble will burst, the old ways return when the button drops out, is mentioned, but not taken seriously.

Condominium promoters argue that because down payments are low, part of the monthly costs are tax-deductable and appreciation is rapid, it doesn't really cost much more to buy a condominium than it does to rent the equivalent apartment—and therefore there is little real hardship even for transients or the elderly who would prefer to rent.

Condominium resale values are, however, largely untested. Ownership reduces mobility in ways that many people don't want. And persons in the lower income brackets are still "effectively frozen out" of the market for ownership, as Stelle put it. "It's the lower and moderate income persons like the military are being hurt" as lower priced apartments, as well as luxury priced apartments, as well as luxury units, are turned into condominiums.

It is perhaps the elderly who are being hit the hardest by the conversion of existing apartments ownership units, especially in upper Northwest Washington where dozens of buildings with high percentages of elderly residents are being changed over.

On the Connecticut Avenue bus or at the supermarkets, wherever the elderly congregate, the conversation is of condominiums and the fear that it will happen to them.

Because many of them have fixed, limited incomes and are living at the limits of their budgets already, any sudden increase in their monthly costs is a severe hardship, if not out of the question. Because no new rental housing that they can afford is being built, they are competing with each other for a shrinking supply of apartments. Many planners and economic analysts believe they will be forced into apartment-sharing as the only way to make ends meet—a practice common among young single people, but less palatable to elderly persons living with years of memories and accumulations of possessions.

As a matter of economics, many of the elderly and low-income persons displaced by conversions were living in places that would have been beyond their means if the rents had not been unrealistically low for some reason—perhaps the landlord had owned the building so long that he had no mortgage so he could keep the rents down.

Reality is catching up with those tenants. There comes a point where the building must be renovated or it starts to fall apart; whether it is kept as rental units after renovation, or sold as condominiums, the costs of the work are going to be paid by the residents, and that means rising prices.

The best publicized recent example of this was the building at 3100 Connecticut Avenue NW, across from the zoo, where there was a large concentration of low-income people, many of them Spanish-speaking. They were living in one of the city's most desirable neighborhoods, and no amount of resolutions passed by the Cleveland Park Citizens Association could prevent their being forced out when the building was renovated and converted.

Whatever the reasons, the hardship for those who do lose their apartments can be severe, but it is unmeasured. No one has done a comprehensive study of what happens to people displaced by conversions—they just seem to fade into the community somewhere.

Paul D. Comanduras, vice president for sales of Wills & Plank Inc., which is handling the conversion of Tyler Gardens in Falls Church, said they did their best to mitigate the displacement problem by keeping 100 of the 480 apartments available for rental after renovation, although of course the rents will be raised.

Even so, he said, most of the current residents will have to leave.

"Nobody," he said, "is meeting his obligation to the elderly. A lot more of these people would have been able to stay and buy if the interest rate were 8 per cent instead of 9—just that much difference in the monthly payment forced them out. It's the blue collar workers who don't have money in the bank for down payments who are being hit the hardest, along with the old people, but this is the way it's going to go."

He said his firm had "gone the extra mile" to cooperate with public agencies and community groups in easing the transition at Tyler Gardens, but had found no solutions for some of the displaced residents.

"What is going to happen to our old people if we go to a condominium community?" Ira Lechner asked rhetorically. Lechner, a member of the Virginia House of Delegates from Arlington, said it "became clear when Fairlington South went that all of Arlington was going to go. The tenants are out, we already have a low vacancy rate, rents are going up, there's no way. Where will our transients live?"

Lechner is an exception to the general rule, as stated by O'Neill, that "politicians love condos." That is short-hand for the argument that over the long run, a municipality or county may actually benefit from having a high number of condominiums, as opposed to rental units.

They bring in more tax revenues because they are assessed at a higher rate; they generally attract, or are thought to attract, the stable, home-buying persons who make pillars of the community; and those persons in turn, having higher incomes than apartment dwellers, pay more income taxes. If an ownership community is the public goal, then condominiums help to achieve it.

"Condominiums provide a third alternative in housing—the missing link between home ownership and rental apartments. They serve an unfilled market need," said a recent study prepared by the Washington Center for Metropolitan Studies.

In Fairfax and Montgomery counties, for example, the most expensive jurisdictions in the area, it is possible to buy a two-bedroom condominium for as little as $22,000, which is about half the price of the average single-family home.

That may make it possible for the teachers, policemen and other middle-income persons in those counties to achieve the home-ownership that would have been beyond them if the condominiums had not been created.

Balanced against those positive factors are the impact on the elderly and the transients and the poor, and on neighborhoods throughout the area that are beginning to feel the effect of the changes.

Two months ago, Elizabeth Shannon, president of the Home and School Association at Ben W. Murch Elementary School, 36th and Daveport Streets NW, wrote to Mayor Walter E. Washington about the conversion of a nearby building on Connecticut Avenue.

She wrote of people being "summarily ejected" from the community, of the blue collar people who lived there and of the elderly. And she added:

"The eviction of the tenants will also cause a school problem. Some 40 children (who live in the building) go to Murch Elementary School. If they are forced to move, we shall probably lose these children. They are a part of our school community. They are of all races, of many different nationalities. Some are foreign born. They bring cultural diversity to the school and add to all the children's educational experience."

Like many others, she warned that the city "is on its way toward becoming a community of the affluent and the very poor," and asked the mayor to "deal with the problem of sharply increased speculation in housing in the District of Columbia and the resultant pitiful human difficulties and dangerous sociological changes."

Citizens' groups and tenants' rights activists who oppose condominium conversions tend to use words like "speculation" and "greed" when talking about the developers. And the developers respond that short-sighted, no-growth policies, imposed by people who already own homes, made the crunch inevitable.

The Virginia legislature has enacted a major new condominium law that provides extensive consumer protection for buyers, attempts to control and slow down conversions, and at the same time allows the builders of new condominiums more flexibility in their planning than they had before.

The Maryland legislature has passed a similar but less sweeping measure, and both the Montgomery and Prince George's County Councils are working on local bills.

In the District, the corporation counsel's office prepared a draft of a proposed condominium control law early this spring and circulated it among builders, lawyers and financial institutions for their comments. A revised proposal is scheduled to go before the City Council for hearings in the near future.

These measures, however, address themselves mostly to holding back conversions and to providing fuller information to prospective buyers. They do not address the long-range implications of the biggest change in this community's way of life since desegregation of the schools two decades ago.

[From the Washington Post, May 27, 1974]

CONDOMINIUMS BRING BIGGER PROFITS

(By Thomas W. Lippman)

The reason developers in the Washington area are building more and more condominiums and fewer single family homes or rental apartments can be summed up in one word: money.

That also explains why the owners of an ever-increasing number of existing rental apartments are converting them into condominiums for sale.

There are some social considerations underlying the revolutionary change that is taking place in the Washington area's housing market. But what it really comes down to is that developers can get better returns on their capital, with fewer headaches, by going into condominiums than by building the other kinds of housing that have been the traditional mainstays of residential building in this community.

These reasons involve land-use policy in the suburbs, the energy shortage, the high cost of labor and materials, rent control, and the continuing moratorium on sewer line hookups that has reduced construction in the Maryland suburban counties to a fraction of what it otherwise would have been.

Housing industry sources and analysts of housing matters interviewed for these articles agreed that even if any one or a number of those conditions would change, the trend toward condominiums is probably irreversible.

From the point of view of the landlords and builders, the situation in general is this:

At existing apartment buildings where the units are for rent, operating and maintenance costs are going up 20 percent a year or more, the tenants are organizing to demand better service, housing inspectors are cracking down, and rents either are or soon will be frozen by rent controls. At a return of only 3 or 4 percent on the investment dollar, it just is not worth it.

For the developer of new housing, construction costs are so high, financing so expensive and land available for building so scarce that any apartments he built would have to have such high rents that few people could afford them.

In addition, the prospects of making the apartment building a satisfactory long-term investment are slim because of the expensive loan to be paid off and the rising costs of operation and maintenance. So why not sell the units at a profit, invest the money in something that pays a higher return, and let the individual owners worry about running the building?

The suspension of most federal housing subsidies last year cut off the chief source of funds and guarantees that made it feasible to build rental housing for persons of low and moderate income.

Even such relatively expensive developments as the apartments in Southwest Washington were made economically feasible because the cost of the land was underwritten through the urban renewal process.

Building industry records show that the last multi-family housing development for rental that was built entirely with private capital in the District, aside from a few luxury buildings, was completed in 1968. There are about 2,000 moderately priced rental apartments now in various stages of planning in the city because the federal government made a special exception to the subsidy freeze in an effort to get something built for the 1976 bicentennial celebration, but even that commitment expires June 30.

As for single-family homes, they are still the most desired form of dwelling, but builders say it is almost impossible to put one on the market for less than $45,000 and difficult to persuade lending institutions to make mortgage commitments to prospective buyers. Thus the demand is outstripping the supply, further boosting the upward price spiral.

"Inflation has made the cost of single-family housing prohibitive," said Joseph Horning, president of Horning Bros. Construction Co. and of the Metropolitan Washington Builders' Association. "And on rental units you just can't make the numbers come out. Nobody is building rental housing—if you do, you have an economic lemon on your hands. The potential renter just isn't there at prices you would have to charge."

If little rental housing is being built in a metropolitan area where demand is steady and the vacancy rate in existing units 2 per cent or less, said a recent report in the trade journal House and Home, "it is obvious that something is drastically wrong with the Washington rental market. The problem is threefold: financing, rent control and moratoriums."

More than 20,000 apartments in the Washington metropolitan area, out of a total stock of some 450,000, have been converted to condominiums since the trend began about two years ago. Another 20,000 to 25,000 are expected to go this year, and it is taken for granted in the trade that the owners of tens of thousands more are thinking about it very seriously. Feelers are even being put out for the possible conversion of some small, low-income buildings in parts of the District that builders generally avoid.

"Essentially, it's because of a decision by the landlord that he can't function in this marketplace any more," said John T. O'Neill, who as executive vice president of the Apartment and Office Association is the chief spokesman for the landlords.

"In 1968 we were making 12.5 cents on every rental dollar we collected, on the average. It was down to 5 cents at the end of 1973, and it will probably go down to 3 cents at the end of this year, because all operating costs are going up faster than rents are going up. The investment is no longer attractive. There are any number of other places to put your money that will give you better return with less trouble, if you can get your capital out."

By "less trouble," O'Neill was referring to an escape from tenant activism, tenants' rights cases in the courts and tenant-oriented legislation that has cut down on the landlords' traditional freedom to run their properties the way they want to.

With the cost of fuel and utilities up 50 per cent or more in the past two years, and everything else from light bulbs to janitorial supplies subject to inflation as well, the landlords say they simply cannot make enough profit to justify holding on to their buildings, especially since rent controls—federally or locally imposed—make it impossible to pass on all the increased costs to their tenants.

Rent controls, or the anticipation of rent controls, "have done more to create the condo conversion phenomenon than all the supposed greed of the developers," said William Regardie, a housing analyst who compiles data for the industry. "The majority of people in this business don't want to go into condominiums. Everything you have worked for for years can be wiped out in a project that doesn't go. But you have to do something."

Even when allowable deductions for the depreciation of the building are taken off their tax liabilities, some landlords say, the projects still are more trouble than they are worth.

Tenants' rights groups and public officials sometimes dispute the gloomy financial tale told by the landlords. Whether the situation really is as bad for them as the landlords say is difficult to determine. But the owners themselves seem to believe it.

So they decide to sell. Nobody else, generally, wants to be in the rental business any more than they do, so the project is unlikely to find a buyer who will keep it as a rental building. For tax reasons, it is not advantageous for the owner to do the conversion himself; he sells to a converter, a developer or syndicate who will come in and buy the building, do the necessary renovations—ranging from mere cosmetics to complete overhauls—and resell the individual units.

"The converter buys wholesale and sells retail," as one lawyer put it.

"Let's say he pays $10,000 to $20,000 a unit depending on age and condition of the building," O'Neill said. "He puts in $3,000 to $5,000 per unit in amenities and improvements. Then he can sell for $5,000 to $15,000 a unit more than he paid.

"When you deduct the salesmen's commissions, the administrative expenses, taxes and everything else, he makes a profit of maybe $2,000 to $5,000 per unit, and he still comes onto the market with a product for sale that is priced maybe $15,000 lower than what it would have cost to build it from scratch. It's cheaper than new construction, and probably better quality too."

After the conversion, of course, the developer is soon out of the picture, except for whatever warranty he may have given the buyers. Unlike the owner of a rental building, he does not have a long-term loan to pay off—the owners of the individual units have the long-term debt—and neither rising maintenance costs nor rent strikes can bother him.

"A typical developer," according to a recent study by the Washington Center for Metropolitan Studies, "expects a 10 to 12 per cent reutrn before taxes. To achieve this, he markets his units for at least 100 times" what the monthly rent was before conversion.

That is, an apartment that rented for $200 a month would, by this rule of thumb, be sold for at least $20,000.

"More often," the report said, "the ratio is more than 100: e.g., 153 for smaller units at Montrose Walk; 144 at Grosvenor Park in Montgomery County. The Montrose Walk units rented at $300 to $400 a month prior to conversion and the smaller two-bedroom units are now selling for $46,000."

The other, parallel, condominium boom is in new construction. More than three-quarters of all multi-family units now being built in the metropolitan area, and perhaps half of the total of all units of every type, are condominiums.

A decade ago, and through most of the 1960s, industry sources say, more than half of all housing units built in the metropolitan area were single-family homes. Now there is little land left in the District of the close-in suburbs for that kind of development. And in the outer reaches of Montgomery, Prince George's and Fairfax, where there is still plenty of land zoned for single-family home construction, a combination of high land prices, sewer hookup moratoriums, restrictive government policies and shortage of long-term money for prospective buyers has sharply curtailed subdivision building.

The construction of single family homes does go on, though it is decreasing. But the

prices of the houses have risen to the point where this kind of development can only serve the housing needs of a small proportion of the population. "The day of the house with the white picket fence is gone," says O'Neill.

When it comes to the construction of apartments, which now dominate the new-home supply line, the choice for the developer is that between building for rent and building for sale.

At the moment almost all of them are building for sale, through condominiums.

One of the reasons is the cost of the construction.

"We used to build good rental housing for $20 a square foot," O'Neill said. "That was five years ago. Today, it's $35 a square foot. It's just not feasible—the population can't afford what you would have to charge. It now costs, all things added in, about $38,000 on the average to build a 1,000 square foot apartment. That means you'd have to rent it for $380 a month."

House and Home, the builders' trade journal, recently ran a long chart showing the current costs of building materials and how they compare to a year ago; five-eights-inch particleboard subflooring, up 15.4 per cent; 10 inch-by-16 inch framing girders, up 17.5 per cent; plastic countertops, up 18 per cent; white cedar shingles, up 13.6 per cent, and so on for hundreds of items.

Added to this is the high cost of money. A builder of apartments who is planning to rent them out must take out a long-term loan, which he will pay back over the years from rental income.

The higher the interest rate on that loan, the more rent he will have to charge—assuming he can get that long-term loan in the first place. At the moment, money is scarce and interest rates run at 14 per cent or more for some loans.

But if the builder goes the condominium route, he can get back his construction and land costs through the sale price and avoid that long-term loan. Before he ever starts work, he obtains a commitment from a lending institution to make mortgages for purchasers when the building is ready. When the buyers take on those mortgages, they assume the long-term debt burden and the developer is free of it.

"By going condominium," said Charles Jay Pilzer, a lawyer who has worked on condominium developments, "you avoid that constant monthly payout that you must exceed in revenues to make a profit over the years. You use the revenue from sales to pay off your construction loan, the developer walks away with his profit. He loses the long-term depreciation tax break, but there's nothing he can do about that."

[From the Washington Post, May 28, 1974]

PITFALLS FACE THE CONDOMINIUM BUYER

(By Thomas W. Lippman)

The purchase and operation of a condominum dwelling can be a confusing, dismaying process that brings unpleasant surprises, disillusionment and financial setbacks.

From the time the prospective buyer is confronted by the salesman's glossy brochures or the bulky book of "condominum documents" filled with legal language, he is treading a hazardous path.

He may find after purchase that his monthly payment is greater than he was told it would be, or that a recreational facility promised by the developer was never built, or that the bylaws of his project won't permit him to play his trombone, or that the cosmetic renovation on an old building failed to deal with a balky boiler, to the repair of which he must now contribute. And if he doesn't like what he bought, he cannot just move out—he is the owner.

In the Washington area, the condominium industry has avoided the outright scandals that have beset it in other communities. Many buyers interviewed at random in the preparation of these articles said they were satisfied with their homes and had gotten pretty much what they expected.

But even those who have the most to gain from the condominium boom, the people who build and sell them for a living, acknowledge freely that consumer ignorance and developer inexperience with a new form of housing have created a wide variety of problems.

Builders, realtors, lawyers and independent housing experts stressed the need for consumer caution, for the prospective buyer to know whom he is dealing with and what he is getting himself into. They also said that the average buyer may need his own professional assistance in evaluating the condominium where he is contemplating a purchase, because the whole procedure is vastly more complex than buying a single-family home.

A condominium study committee that reported on the issue to the Virginia General Assembly found a consensus that "a higher degree of consumer protection will be of great benefit, not only to the buyers of condominium units but also to developers, realtors and lending institutions. Without adequate purchaser protection, the unscrupulous practices of a few can create a negative image affecting the whole condominium concept. That has been the unfortunate experience of a few of our sister states."

"When you buy one," said John Donovan, a condominium salesman for a Chevy Chase realty firm, "you're putting in a lot of money and you need to know what you're doing."

"I don't know of any one case where the sales force made large-scale misrepresentations or there was any large-scale fraud," said Devin J. Doolan, a Montgomery County legislator who as a lawyer has represented both developers and purchasers of condominiums. "If you added up all the problems I've had, they wouldn't make a hell of a story." But for any one individual, he said, to whom the purchase of a home represents his biggest single expenditure, the small problems he encounters can affect his entire investment.

Doolan represented a group of buyers of condominiums at a development called Sumner Court in Bethesda. Unwilling to accept the developer's assurance that a promised swimming pool would be built, they persuaded him to create a $30,000 escrow account as a guarantee. The pool still has not been built, but the buyers' investment is at least protected by the existence of that fund.

This episode shows why there was general agreement among all those interviewed on their advice to a condominium buyer:

Check the reputation of the developer and the credentials of his partners before signing anything, and then take none of his assurances at face value. There are pitfalls built into the whole concept of condominiums as they never were in single-family houses or rental apartments.

The ownership of a single apartment in a high-rise building and of a share of the parking lot and recreation facilities around it, for example, creates a kind of interdependdence with one's neighbors and reliance on the judgments of others that can be troublesome.

The basic advantages of condominium living are generally undisputed: ownership of property, tax deductions, relative freedom from maintenance, buildup of equity, and access to communal faciilties that would be too expensive for the individual home owner, like swimming pools or tennis courts.

Making sure any particular project will deliver on these promises is another matter. Realtors, industry spokesmen, lawyers and consumer advisers agreed on a long list of points a buyer should examine especially if he is buying an apartment in a multifamily building rather than a townhouse.

A condominium buyer acquires title to his own apartment and to a share of whatever adjacent ground and facilities the developer chooses to include in the deal. These may or may not include the recreational areas, laundry rooms and parking garage—it is not unusual for the developer to retain title to these and lease them out to the owners of the apartments, and the buyer should find out beforehand what he is getting. At one expensive building in Washington, it costs an extra $3,000 to buy a parking space.

The buyer also gets a complex set of papers that determine how the project is going to be run—papers that are drawn up by the developer, his financing agent and his lawyer, and which can contain dozens of surprises couched in the impenetrable legal language of deeds and contracts.

At the Coronado apartments in Adelphi, for example, the sales contract contained a provision that the buyer give back to the developer an irrevocable proxy to cast his vote in the condominium's governing body for three years. That means the developer, not the owners, decides who gets the management contract and what the bylaws will be.

The bylaws in turn control—sometimes in very restrictive ways—what the owner of an individual apartment can do with it and what he cannot. At Sumner Court in Bethesda, for example, they forbid the operation of a washing machine or dryer. At Town Square Towers in Southwest Washington, they prohibit putting melon rinds or onion skin into the garbage disposals. The bylaws also determine the condominium's policy on such issues as pets, noise, and trash disposal, and on more important matters such as whom an owner can rent his unit to and under what circumstances, or what happens if some units are damaged by fire.

"Some of these regimes are downright dictatorial. You can't even sneeze without permission," said Richard Arkin, president of the owners' association at Autumn Walk condominium near Olney.

In theory the bylaws can be amended by a vote of the owners, but in fact the developer usually retains control of his project for at least the first several years, either by the proxy system or some other provision of the sales contract. Either way, the individual buyer is bound by the bylaws and needs to understand them beforehand to make sure he can live with them after he buys.

Although condominium ownership is promoted as the equivalent of home ownership, there are other ways in which the freedom of living in a single-family home is curtailed in a condominium. Some are obvious: an apartment cannot be expanded by adding a room; loud music late at night would disturb the neighbors. But some are less obvious and could affect the buyer's finances:

For example, if a commonly held area of a project, such as the roof, needs repairs, the individual owner of an apartment cannot save money by doing it himself, or by calling in his brother-in-law to do the job cheaply, as the owner of a single-family house might.

Nor can he simply postpone the job—it is the owner's association, or the developer, who makes these decisions, and if they cost more money than the association has on hand they can result in assessments against the owners. Furthermore, the very process by which these decisions are made—the meetings and decision—involves the time and energy that may be in short supply for an owner with a busy schedule.

Repair problems are potentially the most troublesome, experts say, in an old building that is being converted from rental to ownership. Many old buildings, especially in the District, have the advantages of old-fashioned hardwood floors, high ceilings and big rooms. But they also have old pipes, old roofs, old heating systems and old elevators—conditions that may or may not be rectified

during the renovation work that precedes the sale of the units.

"You can't go around and kick the tires on a highrise building," says Del. Ira Lechner of Arlington, who steered Virginia's new condominium control law to passage in the General Assembly. "You can't do the kind of inspection you do on an individual house to know what repairs to anticipate."

Some conversions seems to work better than others. At 4100 Cathedral Ave. NW., in Washington, a luxury building with some apartments costing more than $100,000, the thorniest problem confronting the owners at a recent meeting was whether to turn off the outside fountain as an energy conservation measure, according to an owner who said the building is "beautifully run."

At the giant Fairlington South project in Arlington, residents say they are struggling with chronically flooded basements that apparently resulted from the conversion work. At the Coronado in Adelphi, the owners commissioned their own engineer's report after they had bought and learned of defects in many of the buildings' vital systems.

A recent study by Nancy Jane Cohen of the Washington Center for Metropolitan Studies said that "some inspectors hired by prospective buyers have insisted that most rehabilitation is cosmetic, and that costly maintenance will be inevitable on many buildings in the near future. They cite plumbing, bad roofs, and crumbling bricks as the main problem with older condominiums."

The report also referred to what it described as "elusive engineering and structural reports. While developers claim that adequate information on the condition of the buildings is always made available, some buyers dispute that contention. Many may not know enough to ask for the information, or to understand the technical data if offered."

Legislation already enacted in Virginia and pending in the Maryland suburbs would require that prospective condominium purchasers be provided with full engineering reports and estimates of the useful life of appliances and equipment.

The financing arrangements are usually considered one of the most persuasive selling points for condominiums.

Instead of rent, which an occupant can pay indefinitely at ever-rising rates and have nothing at the end, the condominium dweller buys his apartment, often at modest prices and low down payment. Like any other home buyer, he deducts his real estate taxes and his mortgage interest payments from his taxable income. He protects himself against inflation by stabilizing his monthly mortgage payment, and he builds equity in his property by paying off his loan as the value increases.

In addition his mortgage and interest, the buyer of a condominium pays a monthly fee, ranging from about $15 to more than $100, that covers the maintenance of commonly held property, security services, cleaning the swimming pool and other expenses of the building. This is not tax deductible and will increase if the costs of these services go up over the years. The resident may give up swimming, but he still has to pay his share of keeping the pool ready.

Condominium experts warn that sales personnel sometimes underestimate this monthly fee, or the figure for anticipated real estate taxes.

Frank Morris, a young lawyer who is on the board of directors of a converted project in Arlington, said that "if you had done any shopping around you would have known that the estimate here was a bit low. For my two-bedroom unit it just went up $19 a month. I would generally say as a caveat that the fee is 20 per cent higher than stated."

The report of the Washington Center for Metropolitan Studies said that "inaccurate maintenance estimates at the time of purchase, known as 'low balling' in the trade, mean an unrealistic beginning. One town house complex in Montgomery County began with a $16 maintenance fee, now tripled. This usually means no reserve for contingencies has been included."

For the buyer who has budgeted his purchase to the last dollar, an unexpected rise in the monthly fee could cause family hardship. "We raised our fee $3 a month," said Arkin of Autumn Walk, "and you would have thought it was $300 to hear the squawking."

Analysts familiar with condominium financing warn that other aspects of the financing arrangements must also be questioned before purchase.

Persons whose income is high enough to afford a low-priced condominium but not high enough to warrant itemized deductions on their income tax returns, for example, may not gain the tax advantages they are promised. Syndicated money-management columnist Sylvia Porter recently warned condominium shoppers to make an independent inquiry into the estimated real estate taxes as well as the monthly maintenance fee.

Here are sample financing plans for one-bedroom apartments as given in the promotional materials for two condominium deevlopments:

At Grosvenor Park, a high-rise conversion on Rockville Pike near the Beltway: purchase price, $37,100; down payment of 5 per cent, $1,900; mortgage of $35,200 at 8 per cent interest for 30 years; monthly payment $258.29; real estate taxes, $64 a month; condominium costs including utilities, $114.50 a month. Added to that is the premium that the buyer pays to an insurance company for insuring that part of the mortgage over 80 percent of the purchase price.

The total required monthly outlay, including the insurance premium, comes to about $450, but sales literature gives an estimated "net monthly cost" after tax deductions, for a person in the 30 per cent tax bracket of $347.78. Financial experts caution against calculating a family's monthly budget on the basis of the lower figure, because it is actually the higher amount that must be paid out each month and the tax savings come back only once a year.

At Watergate at Landmark, a lavish project of four high-rise buildings and extensive recreation facilities under construction near the Landmark Shopping Center in Alexandria: purchase price, $34,400; down payment, 10 per cent, $3,440; mortgage of $30,960 at 8½ per cent for 30 years, monthly payment $238; estimated real estate taxes $57 a month; condominium fee including utilities and all recreational facilities except indoor tennis, $70, for a total monthly payment of $365. The interest rate on the mortgage is a guess—it will be at the prevailing rate at time of settlement, more than a year from now.

The sales brochure estimates tax savings from this package for a person in the 30 per cent income tax bracket at $102 a month and "appreciation" at a 5 per cent annual rate, or $143 a month, to arrive at a "net real cost of ownership" of $120 a month.

Whether condominium apartments do in fact appreciate in value, and if so at what rate, is a matter of disagreement in the industry. Bruce Steele, a housing analyst for the Metropolitan Council of Governments, calls it the "great unknown" of the condominium business.

In the first place, the developer who sells the apartments originally can offer his buyers assurances of mortgages at the prevailing rate, because before he puts his development on the market he obtains a commitment from a lender to make those mortgages available.

Officials in the savings and loan business, the chief source of home mortgages, say that in periods of tight money, as at present, it may be very difficult for the would-be buyer of an individual resale unit to obtain financing. Whatever the paper value of the seller's unit, he cannot turn it into cash if his prospective buyer cannot obtain a mortgage.

Another potential problem is the resale of a unit in a project that has not been a big success, where the original developer still has units on the market with lower prices and assured financing. This has happened at Wilson Bridge, a well-kept, nicely landscaped but slow-selling project in Oxon Hill. "We want to sell, but it doesn't look like we're going to make any money because the developer still has plenty of units for sale at his price," a young woman there said.

G. V. (Mike) Brenneman, president of Brenneman Associates, a real estate firm that deals in resales of condominiums, said that the seller of a condominium is in a "slightly less advantageous position" than the seller of a single-family home because it is more difficult for his prospective buyers to obtain financing.

Other than that, he said, "we feel there is no reason, assuming that the condominium is a good one, to doubt that appreciation should be pretty much the same as in single family units. We have figures to show that some have been astounding—generally the higher priced units and those that are close in are the most successful. I tend to draw a line of demarcation at the Beltway."

Two other potential sources of financial difficulty for the prospective buyer are a delay by the developer in going to settlement and a recent ruling by the Internal Revenue Service that the condominium owners' associations are not tax-exempt.

Housing industry sources say that most lending institutions will not actually put up the money for the buyers in a project to take title to their units until a fixed percentage of the units—usually half or more—have been contracted for sale.

This can mean a lapse between the time the first purchasers put up their deposits, and perhaps even move in on a rental basis, and the time they can begin building up equity and claiming tax deductions. Until a purchaser obtains his mortgage and goes to settlement with the developer, he is not the owner of the unit.

As for the IRS ruling, its potential impact was described by the Community Associations Institute in a recent statement as "a severe blow to the future growth and development of such organizations."

IRS ruled, in effect, that if the owners' association takes in more money than it spends, perhaps in an attempt to build up a contingency fund for unexpected repairs, surplus of income over expenditures is subject to income taxes. According to a recent article in the housing industry trade journal "House and Home," this "could cost residents of condominiums and planned unit developments millions of dollars in extra assessments for maintenance of their common areas."

The new Virginia condominium control law, which take effect July 1, and similar but less comprehensive measures now being considered by the county councils in Prince George's and Montgomery, put emphasis on full disclosure to buyers of a condominium's real economic picture, and limit the time during which developers can continue to run their projects. Except in Prince George's, the bills also require builders' warranties on structures and appliances. But none of the condominiums now on the market is covered by these laws.

[From the Washington Post, June 5, 1974]

CONDOMINIUM BUYERS GET "BILL OF RIGHTS"

(By Donald P. Baker)

The Montgomery County Council yesterday passed what Councilwoman Idamae Garrott called a "condominium purchasers' Bill of Rights." County Executive James P. Glea-

son said he would sign the bill, but warned that continued conversion of rental apartments to condominium ownership is creating "the built-in slums of the future."

Gleason said he hopes to introduce legislation in the next few weeks that will "discourage the rapid trend toward condominiums" that, he said, "will have a disastrous effect in the future."

The Council also took two other actions yesterday designed to relieve the increasing shortage of low- and moderate-income housing in the affluent suburban county.

On one matter, the Council acted to insure that federal funds will be preserved for nine projects stalled because of the state-imposed sewer moratorium. The projects are designed to provide 1,353 units of low- and moderate-income housing in the county.

The Council also amended a zoning ordinance to permit owners of rural property to subdivide their property among members of their immediate families, even if such division results in tracts smaller than the five-acre parcels otherwise needed to build in those areas.

The condominium conversion act, approved unanimously yesterday, requires that tenants be given 120-days' notice by owners who want to convert from rental units to condominiums and that prospective buyers, including the tenants, be given a report in the financial aspects of the conversion. The report must be approved by the county department of consumer affairs. The bill goes further than a similar state law enacted this year.

The Montgomery County housing office said there are 38 current conversion projects in the county with 5,529 units. The legislation does not affect about 1,000 of those units, located in the municipalities of Rockville, Gaithersburg and Takoma Park, or any buildings in which more than 50 per cent of the units already have been sold.

The Washington Metropolitan Council of Governments estimates that more than 18,000 rental units have been converted to condominiums in the last two years, with 30 percent of the total being in Montgomery County and 23 percent in neighboring Prince George's.

Mrs. Garrott, who sponsored the legislation, said "I want to emphasize that this bill is in no way an attempt to halt condominium conversions. It is instead a bill to provide protection to tenants in buildings to be converted, and to assure that condominium purchasers have the information they need to make a rational and informed decision on whether to purchase."

Gleason's attack on condominium conversion could become political issue in this year's election. Mrs. Garrott and William Sher, another member of the all-Democratic Council, are vying for their party's nomination as county executive. Gleason, a Republican, has not announced whether he will seek election, but is expected to do so.

Gleason said the Council's legislation "only partially protects the public interest. Many tenants are captives, living on small margins of economic solvency who don't have the money to buy. Where will they go after 120 days?"

He said "any landlord can meet the terms of the disclosure. We must stop the trend." While he didn't offer a remedy yesterday. Gleason indicated he would not be willing to recommend lifting rent ceilings as an inducement for apartment building owners to maintain rental properties.

Gleason predicted widespread "deterioration of condominiums will come in 5 to 10 years, when apartment owners start leasing back to renters who might not have the same interest as the remaining owners."

On another matter, both Gleason and the Council have asked the state health officials and the Washingon Suburban Sanitary Commission to pledge sewer service to the nine housing projects now stalled by the moratorium. The WSSC is scheduled to consider the request at its meeting today.

Councilwoman Elizabeth Scull said the projects were in danger of losing federal financing because a pledge of sewer service is needed to complete applications to the Department of Housing and Urban Development before the fiscal year ends June 30.

Robert Duckworth, assistant director of community planning and development for HUD's Washington area office, said yesterday, however, that a "political commitment" by Gleason, the Council and the WSSC to approve the projects when the moratorium is lifted probably will be sufficient to process the applications.

In action on the rural zone, the amendment approved yesterday would permit current property owners in the affected areas to transfer lots to their spouses or children, although the parcels might be less than the required five acres, so long as the property was used for a single-family residence.

[From the Washington Post, June 13, 1973]

CONDOMINIUM RULES URGED FOR DISTRICT

(By LaBarbara Bowman)

A regulation that would give apartment tenants 180 day's notice of conversion of their buildings into condominiums and require detailed reports on the conditions of the buildings had been proposed by the D.C. City Council's housing and urban development committee.

The proposed regulation also would give purchasers five days in which to cancel a purchase agreement after signing a contract. The bill, which will be the subject of public hearings on July 18 and 19, also would subject violators of any of its provisions to be fined $300 or sentenced to 10 days in jail or both.

The regulation is a response to the complaints of tenants and consumer groups who have charged that conversion of apartments into condominiums is driving the poor and middle income tenants particularly the elderly, from their homes with little or no warning.

The proposed regulation would give tenants 60 days to decide whether to buy apartments in their building. If they decide not to buy, the owner cannot serve them with a 30-day eviction notice until 150 days since the proposed conversion was announced.

The regulation would apply to all condominium projects whether apartment buildings, town houses or office building condominiums, with five or more units.

A property report, which the owner must swear is true, is required and must include the names of all partners, officers and directors of the corporation owning the building, all professionals, such as architects and engineers, who worked on the project, and projected completion dates for construction or conversion.

A required financial report must include the estimated operating budget for the condominium for one year plus the monthly payments for each unit and any charges for use of recreation facilities or other facilities.

The regulation also provides that a developer cannot have an exclusive contract to manage the building once it becomes the property of the individual unit owners.

One of the most often found abuses in condominium projects is that the developer also manages the project and thus continues to make money from it, and the apartment owners are powerless to fire the company if they are dissatisfied.

The bill also would require the developer to post a bond to insure that he pays for all repairs on "major mechanical systems" for one year from the date of settlement as well as renovation or installation, whichever is later. The regulation does not define these "major mechanical systems."

Although Edward Webb, the secretary to the city council would be held on the proposed regulation, Lou Robbins, the principal assistant to the corporation counsel, the city's attorney, said the regulations were only in the draft stage and were not ready for a hearing.

[From National Association of Home Builders Journal-"Scope"]

Be prepared to perform major renovation if you plan to convert older but well located rental townhouse apartments into condominiums. And you'll need to show what the for sale units look like with renovated and decorated units just as if you were marketing a single family project.

The Fairlington South townhouses, in Arlington, VA, 15 minutes from the nation's capitol, now completing conversion, provide an example of what needs to be done in such cases. Built in the 1940s, the 3,439 unit community was one of the first rental projects in the country that was developed with the assistance of the Defense Homes Corp. The homes feature Williamsburg and colonial facades—still very much in style in the metropolitan Washington area. The floor plans, prior to renovation, conformed to the market for middle income housing prevailing at the time they were built.

The site plan allowed generous amounts of green play space as well as landscaped area. The community is divided into northern and southern sections by Interstate 95 with an interchange immediately adjacent. There is an elementary school and gymnasium available to residents for recreation for each section. Tennis courts were added to the facilities about 10 years ago.

Only the southern portion of the community consisting of 1,736 units is being converted to condominiums. It is being divided into six villages each with its own special areas and owners association. The remaining 1,703 units are being retained as rentals by the owner, Fairmac Management and Services Corp.

Prices when sales began in late 1972 were $19,900 to $44,500 for one to four bedroom units. For similar, but improved, models today, buyers are paying $29,950 to $57,950.

RENT HIKES COULD NOT COVER THE REHAB COSTS

"Our primary reason for converting to condominiums was that the rehabilitation costs could not have been covered by large enough rent increases to make them economically feasible," said Walter Hodges, president of Fairmac. "The location of the complex and the basic excellence of the buildings and grounds made the conversion readily marketable."

Renovation of the townhouses has been extensive, with costs estimated at over $10,000 per unit. Pat DiVito, DiVito and Associates, architect for the renovation said, "We have tried to preserve as many of the good design features and construction details of the exteriors as we could. At the same time, we wanted the community to look as if it had been recently developed."

On the exteriors, all masonary was sand blasted; shutters, doors, and trim were replaced where necessary or painted; all window sash was replaced with like wooden sash to maintain the Colonial theme; and fenced, paved patios were built for each unit.

On the interiors, little renovation was required in the living, dining, and bedroom areas. Kitchens and baths were gutted and rebuilt with all electric appliances and new fixtures. A full bath was added in the basement and a recreation room was finished there.

The central heating system for the townhouses was replaced with individual heating and air conditioning systems for each unit. All electric wiring was replaced and units

are individually metered. Galvanized pipes were replaced by copper.

"The biggest problem we have faced in the renovation is the disturbance caused by the mechanics performing the work," DiVito said. "When the empty units are turned over to us from the former tenants, they are remarkably clean and well maintained. But when the trades go in and do their work of tearing out and rebuilding, we have more renovation to perform to clean up the areas they have disturbed."

DiVito attributes part of this problem to poor workmanship on the part of workers, but is looking for ways to reduce the initial renovation required. "We are having engineering tests conducted on the galvanized pipe," he said. "And the initial results indicate that in most cases it may be in better condition than it was when it was originally installed more than 25 years ago. This is because the water has acted to build up a protective coat on the inside of the pipe. If we can eliminate pipe replacement, we'll eliminate a lot of the disturbances."

EACH OF 6 VILLAGES HAS OWN SWIMMING POOL

In addition to the work being done on individual units, all exterior wiring is being placed underground; recreational facilities are being added so that each of the six communities will have at least one swimming pool, and more tennis courts; and landscaping, although already mature, has been supplemented and increased. Deteriorating sidewalks are being repaved and new walks are being added. No new buildings will be added to the community, and buyers are promised that there will be no increase in density.

Renovations and sales are scheduled one village at a time, permitting a complete community of rental tenants to be moved out in order not to impede work. Currently, renovations are being completed on the third of the six villages.

A former administration building has been remodeled into a sales office, and 10 renovated townhouses serve as models with floor plans ranging from one to four bedrooms.

Fairmac has conducted the condominium sales with its own sales organization, but engaged Washington, DC, condominium consultant Harold A. Lewis to set up and direct the initial portion of the sales. The marketing theme stressed that the offerings were "The best of the old. The best of the new."

"We also stressed the close in location by using mileage figures," Lewis said. "Fairlington is a seven mile round trip from the major employment centers in the capitol area. Comparing this with daily round trip commuting to suburban residential centers and using the automobile mileage depreciation and expenses allowed by the Internal Revenue Service, we were able to show prospects that they could save $5,000 to $10,000 in automobile expenses over a ten year period by living here."

Under the initial marketing program existing tenants were given priority in the purchase of condominiums over non residents. Those who did not wish to purchase and yet wanted to remain in the Fairlington area were given priority in the leasing of units in the adjoining Fairlington North rental section of the community.

In September, 1973, marketing was expanded to include the general public with the first newspaper advertising appearing. Within six weeks 200 units were sold. Because of the wide price range and mix of bedrooms, buyers have ranged the entire mortgage qualification spectrum. Singles and retired persons generally are buying the one bedroom units, while young marrieds and families with up to two children are purchasing larger units. With the wide market profile, advertising now stresses the theme, "We have something for everyone."

[From the New York Times, June 16, 1974]

FEW STATES PROTECT CONDOMINIUM BUYERS

(By Walter Rugaber)

WASHINGTON, June 15—In all but a handful of states, consumers caught up in the booming condominium market can expect little protection against deception or fraud under the real estate laws.

They must instead depend—despite the special complexities of buying a condominium—on such uncertain factors as constraints of the marketplace or slow-moving individual lawsuits.

New York is one of the exceptions. Under what many consider the strongest law in the country, developers there must make detailed disclosure statements approved in advance by the state Attorney General.

There is some disagreement over the number of states ranking close to New York, but experts in the field generally name fewer than 10. Those most often cited as strict are California, Michigan, Virginia and Hawaii.

In most other places, an authority in New York observed, protection for the buyer is "minimal." It is up to the consumer, a knowledgeable Washington lawyer added, "to know what he's getting into."

The state laws are important because they have been relied upon traditionally in real estate transactions and because the Federal agencies with some jurisdiction have as yet taken almost no regulatory action.

The Department of Housing and Urban Development, which expects half the population to live in condominiums within the next 20 years, hopes the states will beef up the consumer protection provisions of their statutes.

The situation now, according to reports from a dozen randomly selected states and interviews with national experts on condominium development, is highly uneven and is influenced by a number of special factors.

All 50 States have laws, passed in the early nineteen-sixties when the condominium was still unheard of in the United States, that at least permit the special arrangements needed to set up that kind of dwelling.

The statutes enable people to hold title to a specific cube of space within a larger complex, to be taxed directly on their unit, and to join with others in the ownership of common areas such as swimming pools and elevators.

Condominiums—once primarily vacation or retirement homes but now, after several years of explosive growth, the primary residence for millions of Americans—are popular for several major reasons.

They are usually cheaper than detached homes, and they offer tax advantages over ordinary apartments. Typically they include recreational facilities beyond the reach of ordinary homeowners and mean an end to many maintenance chores.

A LOT OF CO-OWNERS

But, as one Washington lawyer warned, "Don't forget that when you go into a condominium you pick up a lot of co-owners" in the common areas and that, in effect, "you're joining a sort of mini-government."

For the buyer or even the buyer's attorney to understand the rules he has to understand the state law, and several authorities said this was complicated by the differences that exist from place to place.

A widely known authority in the field, Patrick J. Rohan, suggested in a telephone interview ths week that the nation's legislatures need "to get working on a uniform state statute."

"You've got 50 states going off in 50 different directions," said Mr. Rohan, who is a professor of law at St. John's University in Queens. He and others voiced apprehension at direct Federal intervention.

"The Federal Government isn't equipped to handle such a matter as housing," he argued. The market is fragile and prices are climbing "out of sight," he said, adding that Washington would only make matters worse.

"It may well be they'll have to have the threat of Federal regulation to force the states to act," Mr. Rohan remarked. But the Federal Government should at most set standards for state regulation, he added.

Several factors appear to work against tighter controls. Numerous sources mentioned real estate lobbies, which are powerful in most states and are said to oppose regulatory changes almost instinctively.

PRESSURES OF THE MARKET

Marketplace pressures cut both ways. The developers commonly argue that shady operators find it difficult to borrow money for their projects, get their work approved by local inspectors, or attract many customers.

At the same time, consumers complain that when the market goes soft important elements such as pools may not be built and units may be turned over to renters who drive down the value of the entire complex.

Some consumers appear willing to rely on traditional remedies such as civil litigation even in states that have added strong protection machinery to their laws. A notable example occurred earlier this year in Michigan.

Robert E. DeMascie, judge of the United States District Court in Detroit, filed suit to break his contract to buy a $52,000 condominium on the 16th floor of an east side building.

The judge charged in a still pending county court action that the developer had so grossly understated the maintenance costs and other expenses of his unit that it amounted to a false inducement to buy.

When he made the purchase in February, 1973, Judge DeMascio alleged, he was informed that $155 a month would cover parking, maintenance, and building personnel costs. The charges have hit $234, he complained.

In some states, consumers are said not to complain. An observer in Ohio reported, for example, that while the law there is "not particularly strong" no one had been "raising any significant hell about it."

NO COMPLAINTS IN ARIZONA

William P. Dixon, an assistant Attorney General in charge of consumer protection in Arizona, said he could not remember receiving a single complaint involving condominiums in that state.

Herbert N. Goodwin, Assistant Attorney General in Massachusetts, said he knew of no major problems there. But State Senator Jack H. Backman, a Brookline Democrat, sounded an apprehensive note found elsewhere in the nation.

"Condominiums built in Massachusetts so far may have been built by the most ethical real estate people," he said, "but now that condos are becoming a way of life others might step into the field who are not so ethical."

Consumer objections have prompted widespread activity in one area: state and even local legislators have moved to control the conversion of regular apartment buildings into condominiums.

Some measures would require long advance notice before tenants could be required either to purchase their units or to move out, and others would prohibit conversions without the approval of a certain number of occupants.

Proposals to convert the huge Parkmerced apartment complex in San Francisco are covered by general state legislation that would allow local government to bar such changes entirely. A Republican sponsor, State Senator Milton Marks, explained:

WEST COAST PROBLEM

"San Francisco has a real housing shortage, and if the Parkmerced owners go ahead on their conversion plans many families unable to afford the purchase price will be tossed out on the street."

Some California officials believe their condominium law is already stronger than New York's. While most experts seem to disagree, the two states regulate sales in much the same way.

David Clurman, an Assistant Attorney General in charge of condominium regulations in New York, who is also a recognized authority in the field, said developments within the state must meet various standards.

For example, Mr. Clurman said in a telephone interview, New York rejects long-term lease arrangements under which the builder retains ownership of recreational facilities and charges substantial rent for their use.

Out-of-state projects that are to be sold to New Yorkers through newspaper advertisements, direct mail, or similar means must register with the Attorney General and make full disclosure of their plans, Mr. Clurman said.

But New York does not reject provisions legal under the other state's law, Mr. Clurman added. Thus, long-term leases, popular in Florida, may be imposed on condominiums sold in New York so long as they are disclosed.

The prospectuses are highly detailed. Mr. Clurman cited one covering a Westchester County project, Edgemont at Tarrytown condominium. Buyers are presented with a 243-page document containing elaborate maps and diagrams.

In addition to legal documents and financial data, the prospectus explains that each unit will contain a "built-in automatic dishwasher, Westinghouse Model SU 400 P," and that lights outside front doors will have 60-watt bulbs.

Builders who depart from the state-approved plan, Mr. Clurman said, can be charged with a misdemeanor under the law. More often, he added, the state "negotiates" for full compliance.

The situation is substantially different in Florida, where condominiums first became popular and in which an estimated 600,000 people now live. Consumer complaints have been persistent there.

The state Legislature, in an extensive revision of the law, recently provided for more disclosure but left out of the statute, as one observer put it, "the most important thing—an agency to enforce it."

"It was no great revolution," said Rod Tennyson, the Assistant Attorney General for consumer affairs in Florida. "You're going to get a big book of documents, but I don't know if you're going to know much more."

While builders insist heatedly that the new law is uncommonly strict, Mr. Tennyson said, he may report to the state's "Little F.T.C. Act," which prohibits unfair trade practices, to move against unethical operations.

The law is certainly more stringent in Florida than in most states. In Connecticut, for example, there is no consumer protection machinery, and efforts to provide some have failed regularly over the last four years.

James F. Carey, executive director of the state Real Estate Commission, said he has pressed unsuccessfully for legislation requiring full disclosure and severe penalties for misrepresentation.

Most builders contend the present statute is adequate, and there are complaints of unfulfilled promises, he said, but the state can do nothing.

By Mr. WEICKER (for Mr. COOK):

S. 3659. A bill to amend the act entitled "An Act to incorporate the Little League Baseball, Inc.," approved July 16, 1964 (78 Stat. 325). Referred to the Committee on the Judiciary.

Mr. WEICKER. Mr. President, on behalf of the Senator from Kentucky (Mr. COOK), I introduce a bill and ask that a statement prepared by Senator COOK be printed at this point in the RECORD, together with an article from the Washington Post.

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

STATEMENT BY SENATOR COOK

Mr. President: I was very pleased to hear on the national news last week and read in the papers that Little League Baseball, Incorporated, has decided, effective June 12, 1974 that girls may play on the teams which are organized throughout the United States.

Since passage of the equal rights amendment by the Congress in 1972, women in this country have made great achievements in the area of equal opportunity and equal treatment under the law. We, of course, have some way to go yet, including ratification of the amendment by the States, but the decision by the National Little League Organization to allow girls equal chance to try out and play for their teams represents one more time that the girls and women in this country are overcoming some of the heretofore unequal barriers.

The little league age extends from 8 to 12. The fact that they were encouraged to open their doors to the girls means that passage of the Equal Rights Amendment has certainly had its effect. No doubt, these young ladies who want to play are the products of enlightened parents and enlightened communities who want to afford the girls the same possibilities to develop sportsmanship-like conduct, competitive spirit, and a strong healthy body. The Little League National Charter states under section 2, objects and purposes of the corporation:

(1) To promote, develop, supervise, and voluntarily assist in all lawful ways the interest of boys who will participate in little league baseball.

(2) To help and voluntarily assist boys in developing qualities of citizenship, sportsmanship, and manhood.

(3) Using the disciplines of the native American game of baseball to teach spirit and competitive will to win, physical fitness through individual sacrifice, the values of teamplay and wholesome well-being through healthful and social association with other youngsters under proper leadership.

Today I proudly introduce a bill which would amend the act incorporating little league baseball to add the word, "girls" wherever the word "boys" appears, and strike the word "manhood" where it appears in section 2. I hope the Senate and the Congress will act promptly in accepting this amendment to Public Law 88-378.

I think the young fellows already playing with little league teams will be glad to know that the girls, too, can play if they make the team. And there is no doubt that many girls can and will make the teams, and improve them. Furthermore, I hope the schools and colleges in this country will take note of this landmark decision by little league. Bring your athletic programs up to par for both boys and girls, young men and women. The ladies deserve it and can make the grade. The slogan, "You've come a long way, baby" could never be more true and I am very happy about it. I would like to commend little league for their openminded and wise decision, and insert at the conclusion of my remarks the story in the June 13 Washington Post covering it.

[From the Washington Post, June 13, 1974]

LITTLE LEAGUE ADMITS GIRLS, EFFECTIVE NOW

WILLIAMSPORT, PA., June 12.—Little League Baseball Inc. today abandoned its years-long struggle to keep girls from playing on its teams.

Because of "the changing social climate," the organization said, it was ordering all franchisees to give girls an equal chance to make team rosters, effective today.

The league asked team operators to be "firm . . . and forthright" in executing the new policy. It was a dramatic turnabout from the old attitude, which had led the league to lift franchises from teams that admitted girls and to fight tooth and nail in the courts to keep the game for boys only.

The board said it has petitioned the House Judiciary Committee to introduce appropriate legislation to amend the federal charter under which Little League has operated since 1964.

The league cautioned that it was only opening enrollment in its program to girls, not guaranteeing that girls would be placed on teams.

"Whether they play or not would depend on managers and coaches of individual teams," a league statement said. "The girls would have to prove equal competency in baseball skills, physical endowments and other attributes scaled as a basis for team selection."

Peter J. McGovern, board chairman and chief executive officer said, "It is the unanimous view of the board and trusteeship that acceptance and screening of young girls . . . should be adjudged by the local league organization and not by the international body."

McGovern added that this "should be done in good faith and without prejudice."

McGovern urged settlement of local squabbles by civil rights or human relations hearings.

"Any action in this regard should be responded to with firm conviction and forthright statements that Little League does not discriminate and has no feelings of ill will toward any sex, race or creed," he said.

The Little League, which operates 9,100 leagues for 2.5 million youngsters in 31 nations, has been challenged in a number of American courts on its all-male policy.

"In reaching a decision on an issue of landmark significance, the board has taken the position that it would be imprudent for an organization as large and universally respected as . . . Little League Baseball to allow itself to become embroiled in a public controversy," McGovern's statement said.

He said the 35-year-old Little League also would retain its separate and optional program for girls of Little League age. The Little League now has a program for some 50,000 girls in the United States.

The Little League age extends from 8 to 12.

By Mr. STEVENSON (for himself, Mr. JACKSON, Mr. CRANSTON, Mr. ROBERT C. BYRD, Mr. JAVITS, Mr. PROXMIRE, Mr. MATHIAS, Mr. CHURCH, Mr. RIBICOFF, Mr. MONDALE, Mr. HUMPHREY, Mr. KENNEDY, Mr. NELSON, Mr. JOHNSTON, Mr. DOMENICI, Mr. EAGLETON, Mr. TUNNEY, Mr. MCINTYRE, Mr. BIDEN, and Mr. CASE):

S. 3660. A bill to amend the Export-Import Bank Act of 1945, as amended (the "Act"). Referred to the Committee on Banking, Housing and Urban Affairs.

Mr. STEVENSON. Mr. President, tomorrow the Banking Committee marks up the authorizing legislation for the Export-Import Bank. As chairman of the Senate Subcommittee on International Finance, I will propose that the Bank's life be extended for 3 years and that its loan and guarantee authority be increased from the present $20 billion to $27.5 billion. Competition for markets abroad is increasingly severe, and the Bank's export financing is as essential as ever—or more so. To resolve controversies over the availability of Export-Import Bank credits to the Soviet Union and certain other Communist countries and to provide assurance that future major Exim transactions receive the careful scrutiny they deserve, I am today introducing an amendment with Senators JACKSON, CRANSTON, ROBERT C. BYRD, JAVITS, PROXMIRE, MATHIAS, CHURCH, RIBICOFF, MONDALE, HUMPHREY, KENNEDY, NELSON, JOHNSTON, DOMENICI, EAGLETON, TUNNEY, MCINTYRE, BIDEN, and CASE.

Senator JACKSON has manifested an abiding concern about the suppression of basic human rights in the Soviet Union and elsewhere. He has also been keenly aware of the threats to national security and the national economy from wholesale extension of export credits abroad. This amendment reflects his concerns, as well as a prodigious commitment of his time and effort. For all that I am grateful and commend him highly.

The amendment has four elements: First, it would limit to 1 year any extension of the Bank's authority to supply credits to Communist countries. Yugoslavia and Romania, however, would not be subject to this limitation.

Second, it would limit the amount of additional credits the Bank may extend to the Soviet Union without additional authorization from the Congress to $300 million.

Third, it would clarify existing law by requiring the President to determine that each proposed Communist country transaction is in the national interest and to report that finding to the Congress at least 30 days prior to final approval.

Fourth, it would require that the Congress be notified of each proposed Bank credit of $50 million or more at least 60 days prior to final approval. The President would be required to supply the Congress with a detailed description of the proposed transaction together with a statement assessing its impact on the national security and the economy. Among the matters to be included in the impact statement would be an analysis of the effect of the transaction on: First, employment in the United States, second, the competitive position of U.S. industries, third, the availability and price of goods in the United States of the kind to be exported, and fourth, the availability of technology, technical data, or other information not otherwise available to the purchaser. During the 60-day period after receipt of these statements, either House of Congress could disapprove the transaction pursuant to procedures similar to those established for congressional disapproval of executive branch reorganization plans or proposed changes in Federal pay schedules. A petition by one-third plus one of the membership of either House would permit a floor vote, if the Banking Committee to which a disapproval resolution had been referred failed to act within 30 days.

Mr. President, this legislation is needed in order to maintain confidence in the Bank and to insure that its vast resources are used wisely for the benefit of the American people. In recent years, large infusions of capital into the Soviet Union and other countries raise the question of whether the United States in "buying" short-run accommodations without regard to long-term consequences. Exim assistance to the Soviet Union is deeply troubling to those who are concerned about human rights, as I am. It is troubling to those who are not convinced that we have developed the necessary foundation for a new and lasting era of peaceful relations and want to proceed cautiously, as I do. Exim assistance is of great concern to those who see in aid for multimillion dollar undertakings throughout the world the possible sacrifice of the long-term interests of U.S. labor and industry. For the short-term, the Bank's financing of foreign demand and its exports of capital can interfere with deflationary policies pursued by the Federal Reserve Board.

The Export-Import Bank is a public institution. Its resources are public resources. Its capital and continued lending capability come from the U.S. Treasury. Over the years the resources at its command have grown to $20 billion. Under pending legislation, they would grow to $30 billion. With these resources, the Bank is a powerful instrument in economic and foreign policy, and it behooves the Congress to keep it under close scrutiny.

The need for close scrutiny in connection with credits to the Soviet Union is all the more imperative in light of the speed—some say haste—with which the Nixon administration has rushed to supply the Russians with Exim Bank assistance. Prior to February of 1973, no Export-Import Bank credits had extended to the Soviet Union. Thereafter, pursuant to an agreement signed in May of 1972, substantial credit assistance was forthcoming.

In little more than a year, almost $469 million in direct loans at 6 percent interest have been approved. Among the projects assisted are a $400 million chemical complex, a $342 million truck plant, a $45 million acid plant, an $80 million trade center, and a $36 million iron ore pellet pant. Pending are applications for a $110 million oil and gas exploration project and a $50 million tractor factory. The Exim Bank projects a total of $300–$400 million in new credits to the Soviet Union during the next fiscal year and $1.2–$1.4 billion in new credits through calendar 1977.

These figures are substantial in and of themselves. They take on added significance when compared with Exim loans to other countries during fiscal 1973. During that year, no country received anywhere near the $460 million received by the Soviet Union during the 15 months since the start of Exim ending to Russia. The chief beneficiary of Exim lending was Iran, with $240 million. The second largest beneficiary of Exim lending was Algeria—$186 million. The third largest beneficiary was Mexico—$176 million. And the fourth largest beneciary was Spain, with $171 million. Significantly, while fiscal 1973 was more than half over before Exim began making loans to the Soviet Union, the Soviet Union still ranked seventh among all countries receiving Exim loans during that year with $101 million in direct loans.

Both the level and rate of Exim assistance as well as the kind of projects involved raise serious questions about the policies being pursued. It is clear that so-called détente is one of the goals. It is a goal which we all seek. Too much national treasure on both sides has been wasted on the mindless pursuit of the arms race, reinforced by mutual hostility and suspicion. An easing of tensions making possible a reduction in military spending would be highly welcome.

But it is far from certain that the United States can buy détente with credits. A genuine and lasting easing of tensions requires resolution of the difficult issues which divide the United States and the Soviet Union—in the Middle East, in Southeast Asia, in Cuba, and with respect to nuclear weapons and human rights. These represent difficult and long-standing problems which will not be resolved overnight and most certainly will not vanish at the first sign of American credits.

Unless the factors which gave rise to these problems are solved, credits are unlikely to be of much avail. What is worse, they may have the effect of boosting Soviet military capability and in turn lead to a worsening of relations. It is significant, for example, that none of the Exim-assisted Soviet projects to date, and none of those which are planned, involve the export of U.S. consumer goods. Instead, all relate to capital construction or the development of productive capability. By freeing Soviet resources for other purposes, the United States may indirectly be contributing to Russian military potential.

Some Exim-assisted projects have direct military possibilities. The recently announced chemical complex is one; the Kama River truck plant is another; the proposed oil and gas development projects are a third; and the rumored plans to finance the construction of wide-bodied aircraft production facilities are a fourth. It would seem to be the height of folly to finance the military production capability of a long-standing adversary before a permanent improvement in relations is achieved.

Then, too, by rapidly increasing Exim's financial exposure in the Soviet Union, the United States may unwittingly be increasing the Soviet Union's leverage over the United States. Currently, Exim's exposure on its direct loans to the Soviet Union amounts to approximately $460 million. By comparison, as of January 31, 1974, Exim had a greater direct loan exposure in only a handful of other countries. In Iran, for example, its direct loan exposure was $877 million; in Japan, $591 million; in Taiwan, $509 million; in

Spain, $957 million; and in Mexico, $487 million. A threat to withhold payment on almost a half a billion dollars could very well give the Soviet Union substantial bargaining power.

What makes massive infusions of Exim credit into the Soviet Union more troubling still is the lack of apparent need. The Soviet Union GNP is second only to our own. It is a major exporter of oil, timber, gold and diamonds. With recent increases in oil prices, and commodity prices setting new records, the Soviet Union's hard currency earnings have undoubtedly grown considerably. When West Germany recently declined to provide financing for a $1 billion iron and steel complex in Kursk, for example, the Soviet Union apparently found the necessary cash. Similarly, it recently agreed to pay $48 million in cash to a British firm for a new plastics factory. Meanwhile, the Soviet Union found itself with sufficient reserves in May to extend $600 million in credits to Argentina for an electric power project. With such apparent financial capability, the need for massive Exim assistance is questionable.

An important consideration, too, is the potential adverse impact of Exim Bank activities in all parts of the world on U.S. labor, the competitive position of U.S. industries, and the availability of materials which are in short supply at home. The creation of production facilities abroad can result in the long run in the export of U.S. jobs and give foreign competitors a substantial cost advantage over U.S. firms. Subsequent export of the finished products can deprive U.S. firms of markets which they would otherwise enjoy. And Exim financing for exports of materials which are in short supply in the United States can exacerbate inflation at home.

There are numerous examples. The Kama River truck plant could someday produce trucks and other vehicles for export to worldwide markets. The recently approved chemical complex will result in shipments of phosphates from U.S. shores. The rumored wide bodied aircraft plant could make the Soviet Union a formidable force in international aircraft sales competition.

The same concerns exist for Exim financing outside the Soviet Union. The Bank recently approved $75 million in credits to the Bank of Tokyo for the purchase of U.S. cotton, a material in serious short supply at home. The Bank has approved millions of dollars of loans for foreign air carrier purchases of U.S. aircraft. But U.S. air carriers which are forced to compete with those foreign carriers find themselves at a serious disadvantage. The Bank has approved millions for the development of refining capacity abroad. But such financing can seriously interfere with the goal of energy self-sufficiency. Its financing activities abroad are inflationary and divert capital from a capital hungry economy at home. Some of its activities seem downright unnecessary to the consummation of export transactions. I cite, for an example, its financing of arms sales to oil-producing dollar-rich Iran.

All these possibilities must be considered. But there is little evidence that the Bank has done so in the past. Its function has been purely and simply to promote the sale of goods and services abroad with little attention to the consequences. And now there is every indication that long-term considerations have been sacrificed to short-term administration goals with potentially serious adverse consequences for the United States.

The amendment which I am introducing today will help clarify the role which the Bank should play in U.S. foreign and economic policy. It will help insure that the Bank is responsive to the interests of the American people. It will prevent American resources from being squandered for illusory, short-term gains. It will deter a reckless dollar diplomacy that assumes the United States can achieve its foreign policy objectives with cash. It will not hinder the Bank from pursuing its essential function of financing exports when private financing is unavilable. U.S. exporters must be given competitive equality in the international marketplace. The Banks' authorization will be increased and it can continue to serve that vital function.

I believe also that credits and the withholding of credits, can at times serve useful political purposes. And I believe the United States should be prepared to use all its weapons for its just political objectives.

This amendment will augment the political usefulness of export credits. By limiting the authorization for future credits to Communist countries to 1 year, the Congress will be in a position to determine whether there is progress in United States-U.S.S.R. relations sufficient to justify continued extensions of credit. Instead of providing a $30 billion carte blanche, the $300 million limitation on credits to the Soviet Union for the next year will permit a tighter rein on Exim Bank activities. Major project review by the Congress will force a more careful assessment of the overall implications of Exim credit assistance and provide the Congress with a tool for exercising appropriate influence. The evolution of détente, peace in the Mideast, SALT, human rights in the Soviet Union, will all influence future congressional decisions as to whether a particular large project should be financed or the availability of credits continued.

Mr. President, the Export-Import Bank was originally conceived as a tool to expand employment and increase exports. In recent years, its character has changed. It is now a major instrument of U.S. foreign and economic policy. Emphasis is placed on major developmental projects involving many millions of dollars. The Bank's international power and influence have thus been enhanced significantly. Now foreign policy factors play a significant role in its decisions, and the willingness of the administration to grant credits, most recently the possible extension of credits for nuclear power projects in Egypt and Israel, for purely political purposes casts the Bank in a whole new light.

As a consequence, the Bank has been drawn into the controversy surrounding relations with the Soviet Union and other countries. The whole panoply of considerations—foreign policy, economic and human rights—come into play. The Bank can no longer be regarded as simply a banking institution. It has entered the arena of international economics and politics—and in its new role needs careful reexamination. The place to begin is with the closer and more systematic congressional oversight which this bill provides.

I should add that the Bank is beginning to respond to some of the new realities it faces. Its new Chairman, William J. Casey, is making some highly commendable changes in Bank policy. They deserve recognition and support. And so, Mr. President, I ask unanimous consent that a descriptive letter to me from Mr. Casey, dated June 10, 1974, be inserted in the RECORD at this point, as well as the text of my bill.

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

EXPORT-IMPORT BANK
OF THE UNITED STATES,
Washington, D.C., June 10, 1974.

Hon. ADLAI E. STEVENSON, III,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR STEVENSON: Following up on our telephone conversation on Friday, let me outline the changes emerging in the Bank's outlook and practices.

Basically, we have broadened and made tighter and more specific the criteria to be applied in approving or disapproving loans. Understandably, until toward the end of last year, while we were looking at a $6 billion trade deficit, the drive was primarily and urgently to expand exports. Today, while we still need more exports to pay for the high price of the imports we need, inflation and shortages have become relatively more important.

In order to strike a better balance between export objectives and other national interests, to reduce loan authorizations and overall exposure on loans and guarantees and to sharpen our criteria for approving or disapproving applications, we are working along the following lines:

1. Instead of automatically authorizing loans equal to 45% of the contract price, we are on a case-by-case basis reducing that participation to as low as 30%.

2. The commercial bank portion of the financing, which up to now has usually been 45% of the contract price, will be increased on a case-by-case basis to as high as 60%.

3. Whenever feasible, we will require the commercial bank to participate with no guarantee from Eximbank.

4. On an ad hoc basis, we will, where feasible, endeavor to increase the normal 10% cash payment to 20%.

5. PEFCO financing will be utilized when the Bank is prepared to guarantee the transaction and when PEFCO's interest rate charge will help lower the cost of the overall financing.

6. Preliminary commitments will be issued only when we are reasonably satisfied that the financial, economic and technical elements of the transaction would justify authorization of a credit itself.

7. We are taking a harder look at the financial, economic and technical aspects of a transaction in order to weed out unduly weak countries and buyers, particularly in markets where Eximbank's exposure already is high.

8. We are examining each loan application more carefully to eliminate wherever practicable those cases in which Eximbank's financing is clearly not needed.

9. In order to be sure a transaction will not have an adverse effect on the United States

economy, applications are being examined more closely in colloboration with other agencies. In considering possible adverse impact, a judgment is made as to whether the foreign project will go forward anyway so that if the United States does not furnish the equipment for which financing is requested, the only result would be that a competitor country would supply the equipment. Desirable objectives can conflict. For example, loans involving drilling rigs and oil well piping are being scrutinized in an NAC committee to balance the effect of a loan on Project Independence as well as on the objective of maintaining the dominance we now hold in the world market for oil exploratory equipment.

This evolving new approach requires more work and thought on each case, to balance objectives and get maximum use out of the Bank's resources and minimize its exposure, while still producing a financing package which captures the export for the United States manufacturer. I believe our responsibility calls for applying broad and flexible criteria on a case-by-case basis rather than the easier one of an across-the-board cut or a flat refusal to finance exports on which we have a strong competitive edge. Those who argue for the latter course point out, for example, that we have 80% of the world's airplane market and our airplane industry is so strong that it doesn't need financial support. But our electric generators used to have 80% of the world market and are now down below 10%. We don't want to be responsible for having that happen to our airplanes or our drilling rigs or anything else on which we can readily increase capacity to meet demand, and which produces a lot of jobs and a big chunk of the foreign exchange we need to pay our import bills.

It is still necessary for the United States to increase its exports to maintain its share of expanding world trade and to pay the higher costs of oil and other necessary imports. It is clear that our failure to do this will feed inflation and produce higher prices for American consumers. To pay for the imports we need, it is necessary to assure the existence of a financing which will make it possible for creditworthy customers abroad to buy the products in which the United States excels. We are witnessing a substantial change in the composition of our exports. The trend is clearly away from the export of consumable items towards high technology equipment and complex projects which carry "big tickets" and require long term financing.

There are major developments throughout the world in the energy and natural resource area. This is particularly true as countries turn to nuclear power as a complement to their conventional power development. Also numerous countries are developing the vast natural resources which they possess as a means of internal improvement as well as creating major exports thereby providing sufficient foreign exchange to be used in the implementation of their overall internal development programs. These natural resource projects will produce materials we need and moderate inflationary price pressures. They require vast amounts of capital if they are to be developed. The United States has the technology and equipment properly to develop these vast projects.

The availability of financing for these projects translates into the availability of jobs at home and American skills abroad. Almost as important as the sheer availability of necessary financing is that its cost be competitive. As you know, all the other advanced nations have their own official export credit agencies to back their exporters. They frequently offer lower rates than we do and finance a larger part of the purchase. Still, Eximbank competes effectively through partnership arrangements worked out with private financial institutions and we are presently exploring ways of amplifying these arrangements. At the same time we have under active discussion with European and Japanese export credit agencies a harmonization of terms designed to avoid escalation of overly favorable and expensive financing terms. My view on this is that our official financing support should focus primarily on assuring that U.S. products having a competitive advantage get the financing they need to sell in world markets and that we should do what we can to hold competition in the terms of the financing to a minimum.

We have tightened up considerably on preliminary commitments. In the past, to encourage our exporters, they were issued liberally. Now we don't issue them until we are satisfied we want to make the credit or unless they contain enough conditions to protect our possible future interests. For example, a preliminary commitment issued a year ago specified the 6% interest rate for the Soviet fertilizer deal. I have changed the procedure on preliminary commitments so that they now provide only for the interest rate prevailing at the time the credit is authorized.

Reflecting on our recent talk about varying interest rates within a band, the Bank has always applied a single interest rate and it is argued that this avoids discrimination and haggling. However, I doubt that we should always charge the same rate on a 12 year loan we charge on a 7 year loan. The Bank's resources are used more effectively if maturities are shorter so there should be an incentive for the borrower to keep maturities shorter, and if a longer maturity is needed to make a deal work, there should be a price on it in the form of a higher interest rate to compensate the Bank for the additional risk and exposure.

I am afraid that an interest rate mandate or other rigid requirements or restrictions in the statute would impair the flexibility we need to meet the financing competition of other countries by designing a financing package suitable for a specific deal. We also need flexibility to adjust to changing money markets and changing trade and supply situations.

I have no problem with articulating for major loans our rationale in terms of jobs, shortages, resource development, etc., and giving the Congress prenotification. However, I think it would be a mistake for the Congress to put itself in a position where it would be acting on individual financing transactions. This fiscal year the Bank will have authorized 17 or 18 transactions involving loans and guarantees of $50 million. However, including preliminary commitments and loan applications ready for action and carried over beyond June 30, the Bank this fiscal year has had before it 40 transactions involving $50 million or more in loans and guarantees and these transactions have involved 26 countries. I would hate to see each of these financing transactions escalated into a potential political "cause celebre". These are loan transactions. They are limited to U.S. exports. The money does come back with interest. The uncertainty, delay and political implications created by Congressional intervention in dozens of individual transactions will severely impair the Bank's ability to compete in the financing of American exports. The official export banks of Japan, Germany, Britain, France, Italy, Canada, or anywhere else, are not required to have their transactions laid out for competitors to see and to confront exporters and foreign customers with possible public rejection. Buyers would stay away from United States sources and United States financing in large numbers. Our own multinational corporations would tend to handle and source their sales around the world from offices and plants located out of the United States and use the facilities of the export credit agencies of countries which would benefit from the exports. In short, I can't put it too strongly that in my view a Congressional veto procedure would be bad for the Congress and damaging to the Bank and to the employment and revenues it can develop for the United States.

Yours,

WILLIAM J. CASEY.

S. 3660

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

SECTION 1. Section 2(b)(2) of the Act is amended to read as follows:

"(b)(2) The Bank in the exercise of its functions shall not guarantee, insure, or extend credit, or participate in any extension of credit—

"(A) in connection with the purchase or lease of any product by a Communist country (as defined in section 620(f) of the Foreign Assistance Act of 1961, as amended), or agency or national thereof, or

"(B) in connection with the purchase or lease of any product by any other foreign country, or agency, or national thereof, if the product to be purchased or leased by such other country, agency, or national is, to the knowledge of the Bank, principally for use in, or sale or lease to, a Communist country (as so defined),

except that the prohibitions contained in this paragraph shall not apply in the case of any transaction which the President determines would be in the national interest if he reports that determination for each transaction to the Congress at least thirty days prior to final approval of the transaction."

SEC. 2. Sections 2(b)(3) through 2(b)(5) of the Act are amended by striking subsection (b)(5), redesignating subsections (b)(3) and (b)(4) as (b)(5) and (b)(6) respectively, and inserting new subsections (3)(b) and (4) as follows:

"(b)(3) No loan, guarantee, or insurance, or combination thereof, in an amount which equals or exceeds $50 million shall be finally approved by the Board of Directors of the Bank unless—

"(A) the bank has submitted to the Congress with respect to such loan, guarantee, or insurance a detailed statement describing the transaction. Such statement shall include, but not be limited to, a description of the purpose of the transaction; the parties thereto, including the buyer and seller; the goods or services to be exported; the terms and conditions of Bank and private sector participation therein; and the need for Bank participation therein;

"(B) the President has transmitted to the Congress a detailed statement of the impact of the proposed loan, guarantee, or insurance on the national security and economy of the United States, including the effect on (i) employment in the United States, (ii) the competitive position of United States industries, (iii) the availability and price of goods in the United States of the kind to be exported; and (iv) the availability of technology, technical data, or other information not otherwise available to the purchaser; and

"(C) sixty days have elapsed from receipt of the statements required by clauses (A) and (B) of this subparagraph and neither House of Congress has exercised its rights of disapproval pursuant to subsection (b)(4) of this section.

The continuity of a session is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in the computation of the sixty-day period.

The Bank shall submit to the Congress, upon request, all data, documents, reports, and accounts relevant to the statements required by clauses (A) and (B) of this sub-

paragraph, except insofar as the disclosure of such information is prohibited by the Freedom of Information Act, Public Law 89-554, as amended. Any loan, guarantee or insurance in an amount which is less than $50 million shall be governed by the requirements of this subsection if it is part of an intended series of loans, guarantees, or insurance which in the aggregate would or does exceed $50 million and is for the purchase of goods or services by the same or an affiliated entity to be used for, or to facilitate, the same or similar purpose.

(b)(4)(A) Subparagraphs (B) through (H) of this subsection are enacted by Congress—

(1) as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such they are deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in the House in the case of resolutions described by this section; and supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedure of that House) at any time, in the same manner, and to the same extent as in the case of any other rule of that House.

(B) If the committee, to which has been referred a resolution disapproving a transaction proposed by the Bank, has not reported the resolution at the end of 30 calendar days after its introduction, it is in order to move either to discharge the committee from further consideration of the resolution or to discharge the committee from further consideration of any other resolution with respect to the same plan which has been referred to the committee.

(C) A motion to discharge may be made only by an individual favoring the resolution, and must be accompanied by a petition containing the signatures of one-third plus one of all the Members of the respective House of Congress in which the motion is offered. Such motion is highly privileged (except that it may not be made after the committee has reported a resolution with respect to the same recommendation), and debate thereon is limited to not more than one hour, to be divided equally between those favoring and those opposing the resolution. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(D) If the motion to discharge is agreed to, or disagreed to, the motion may not be renewed, nor may another motion to discharge the committee be made with respect to any other resolution with respect to the same transaction.

(E) When the committee has reported, or has been discharged from further consideration of, a resolution with respect to a transaction proposed by the Bank, it is at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(F) Debate on the resolution is limited to not more than 2 hours, to be divided equally between those favoring and those opposing the resolution. A motion further to limit debate is not debatable. An amendment to, or motion to recommit, the resolution is not in order, and it is not in order to move to reconsider the vote by which the resolution is agreed to or disagreed to.

(G) Motions to postpone, made with respect to the discharge from committee, or the consideration of, a resolution with respect to a transaction as proposed by the Bank and motions to proceed to the consideration of other business, are decided without debate.

(H) Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a resolution with respect to a transaction proposed by the Bank are decided without debate.

SEC. 3. Section 7 of the Act is amended by deleting the period at the end thereof, substituting a semi-colon and adding the following: *"Provided,* That after the date of enactment of this Act, the Bank shall not approve loans, guarantees, and insurance in connection with exports to the Union of Soviet Socialist Republics in an aggregate amount in excess of $300 million."

SEC. 4. Section 8 of the Act is amended, striking the period at the end thereof and adding the following: *"Provided, however,* That after June 30, 1975, the Bank shall issue no loan, guarantee, or insurance in connection with the purchase of any goods or services by a Communist country (as defined by section 620(f) of the Foreign Assistance Act of 1961, as amended, excluding Romania and Yugoslavia) or any agency or national thereof."

Mr. MATHIAS. Mr. President, I have joined as a cosponsor to the bill offered by Senators STEVENSON, JAVITS, and JACKSON with the reservation that I would prefer a slightly different concept which would more closely follow what I believe to be proper constitutional processes. I do not think a one-House veto provision, in spite of many precedents, is a sound constitutional procedure. In my view, Congress should make policy by statute, annually if necessary; we should not transfer basic legislative authority and responsibility to the executive branch. I think the annual review provision is sound, but I would go further and ask that the Congress make law and make policy and not reverse the traditional roles prescribed by the Constitution.

By Mr. MONTOYA (for himself and Mr. DOMENICI):

S.J. Res. 215. A joint resolution designating the first Saturday in April of each year as "National Brotherhood Day." Referred to the Committee on the Judiciary.

Mr. MONTOYA. Mr. President, for 3 years the city of Albuquerque, N. Mex., has been host to the Brotherhood Awareness Conference in April. These conferences were sponsored and originated through the effort of people from many different ethnic and religious backgrounds, and were intended to focus on the ways in which we human beings are alike, rather than on our differences.

Certainly the United States is a treasurehouse of multicultural and multilingual peoples. We all are Americans, but we come from many parts of the world and represent many different viewpoints. We have a daily opportunity to express our brotherhood for those who do not share our race or religion or cultural background. We are the best location in the world for a real demonstration of brotherhood.

Our basic law provides that we recognize the rights—the inalienable rights—of all women and men. Through support for the concept of brotherhood we can reaffirm our faith in those rights for all mankind. We can celebrate our progress toward the peaceful and loving world which we want for the future of our children.

Senator PETE DOMENICI, my distinguished fellow Senator from New Mexico, has joined me in proposing that the first Saturday in April of each year be designated as National Brotherhood Day.

Through the establishment of this day commemorating our work toward brotherhood, we will be recognizing and encouraging this important effort and our achievement. I ask unanimous consent that the text of the joint resolution be included in the RECORD.

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

S.J. RES. 215

Whereas in these days, more than ever, it is important for men to appreciate the common bonds that unite them so that the tremendous problems we face can be approached with a greater unity of purpose and resolve; and

Whereas for three consecutive years the Brotherhood Awareness Conferences have demonstrated that brotherhood awareness is a proper vehicle for greater racial, ethnic, religious, and geography harmony: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the first Saturday in April of each year is designated as "National Brotherhood Day", and the President is authorized and requested to issue annually a proclamation calling upon the people of the United States to observe such day with appropriate ceremonies and activities.

ADDITIONAL COSPONSORS OF BILLS AND JOINT RESOLUTIONS

S. 260

At the request of Mr. CHILES, the Senator from Ohio (Mr. METZENBAUM) was added as a cosponsor of S. 260, a bill to provide that meetings of Government agencies and of congressional committees shall be open to the public.

S. 2619

At the request of Mr. MCGEE, the Senator from Hawaii (Mr. INOUYE) was added as a cosponsor of S. 2619, a bill to provide for access to all duly licensed psychologists and optometrists without prior referral in the Federal employee health benefits program.

S. 2801

At the request of Mr. PROXMIRE, the Senator from Hawaii (Mr. INOUYE) was added as a cosponsor of S. 2801, a bill to prevent safe vitamins and minerals from being regulated as dangerous drugs.

S. 3427

At the request of Mr. PERCY, the Senator from New York (Mr. BUCKLEY) was added as a cosponsor of S. 3427, a bill to liberalize the retirement earnings limitation under the Social Security Act.

SENATE RESOLUTION 341—SUBMISSION OF A RESOLUTION RELATING TO THE IMPOSITION OF MEAT IMPORT QUOTAS

(Referred to the Committee on Finance.)

Mr. PEARSON (for himself, Mr. ALLEN, Mr. HRUSKA, Mr. MANSFIELD, Mr. YOUNG, Mr. DOLE, Mr. CLARK, Mr. HANSEN, Mr. MONTOYA, Mr. MCGEE, Mr. BENTSEN, Mr. DOMENICI, Mr. DOMINICK, Mr. HASKELL, Mr. ABOUREZK, Mr. BELLMON, Mr. BARTLETT, Mr. CANNON, Mr. CURTIS, Mr. EASTLAND, Mr. HUGHES, Mr. MCGOVERN, Mr. METCALF, Mr. TOWER, Mr. BIBLE, Mr. GURNEY, Mr. BURDICK, and Mr. CHILES) submitted the following resolution:

S. RES. 341

Whereas the Nation's livestock industry is presently suffering the most severe losses ever experienced by producers as a result of conditions largely beyond their control; and

Whereas red meat supply and demand conditions existing when the quotas under the Meat Import Act of 1964 were suspended no longer exist; and

Whereas the national economy will be adversely affected if the multi-billion dollar livestock industry continues to be so dramatically depressed; and

Whereas rural America is faced with severe economic adversity unless the livestock industry quickly returns to a profitable position; and

Whereas a large number of livestock producers are on the verge of being forced out of business which will result in the concentration of the livestock feeding industry in fewer and mostly conglomerate operations; and

Whereas the consumer will ultimately pay higher prices for livestock products as a consequence of the aforementioned reasons; now therefore be it

Resolved, That (a) it is the sense of the Senate that the President should immediately terminate the suspension of proclamations made under section 2 of the Act entitled "An Act to provide for the free importation of certain wild animals, and to provide for the imposition of quotas on certain meat and meat products", approved August 22, 1964 (78 Stat. 594; Public Law 88-482).

(b) The Secretary of the Senate shall transmit a copy of this resolution to the President.

WITHDRAWAL OF A COSPONSOR OF A RESOLUTION

SENATE RESOLUTION 339

Mr. ABOUREZK. Mr. President, while I have spoken out many times concerning the excellent job I think Secretary Kissinger has performed in the Middle East, I must ask that my name be removed as a cosponsor of Senate Resolution 339. I make this request because I do not wish to make a statement which contradicts what I have said previously concerning the Secretary's involvement in the wiretap controversy.

The PRESIDING OFFICER (Mr. CLARK). Without objection, it is so ordered.

TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT—AMENDMENTS

AMENDMENT NO. 1456

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

Mr. METCALF (for himself, Mr. MANSFIELD, Mr. ABOUREZK, Mr. BURDICK, Mr. GOLDWATER, Mr. INOUYE, Mr. MCGOVERN, Mr. MONDALE, Mr. MONTOYA, Mr. MOSS, and Mr. STEVENS) submitted an amendment intended to be proposed by them jointly to the bill (H.R. 14832) to provide for a temporary increase in the public debt limit.

AMENDMENT NO. 1457

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

Mr. MATHIAS (for himself, Mr. BEALL, Mr. BENNETT, Mr. DOLE, Mr. HASKELL, Mr. HUMPHREY, Mr. JAVITS, Mr. MCINTYRE, Mr. STEVENS, Mr. STEVENSON, and Mr. THURMOND) submitted an amendment to be proposed by them jointly to the bill (H.R. 14832), supra.

AMENDMENT NO. 1458

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

Mr. MATHIAS (for himself, Mr. JAVITS, and Mr. HATFIELD) submitted an amendment intended to be proposed by them jointly to the bill (H.R. 14832), supra.

AMENDMENT NO. 1459

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

Mr. ALLEN submitted an amendment intended to be proposed by him to the bill (H.R. 14832), supra.

GENERAL REVISION OF THE COPYRIGHT LAW—AMENDMENT

AMENDMENT NO. 1461

(Ordered to be printed and referred to the Committee on the Judiciary.)

Mr. BENTSEN submitted an amendment intended to be proposed by him to the bill (S. 1361), for the general revision of the copyright law.

Mr. BENTSEN. Mr. President, today I am introducing an amendment to S. 1361, the general revision of copyright law to delete certain sections which I believe would impose an unwarranted economic hardship on the broadcast industry.

My amendment would delete those provisions in section 114 requiring broadcasters to pay a separate performance fee for the use of sound recordings.

Under section 114 as presently written, broadcasters would be required to pay 2 percent of his annual net receipts earned from advertising into a central fund to be administered by the Federal Government. This fund would then be divided between the performers and recording companies whose recordings the broadcaster played over the course of the year. In short, a broadcaster would be forced to turn over a portion of his annual receipts to recording companies and performers for playing their records on the air. In addition to the loss of 2 percent of his income, the broadcaster would be forced to bear a very substantial increase in administrative costs associated with these payments. This would be a particularly unfair burden on small broadcasters.

While broadcasters undoubtedly receive some economic benefit from airing recorded music on their stations, the recording companies and performers receive the benefit of free advertising. It is my understanding that in the past, record companies and performers were only too happy to have their records used by radio stations. As a matter of fact, most records were even supplied without charge in recognition of the benefit which they derived from commercial airing of their product. Commercial airing increases record sales from which both performers and record companies receive a very direct and tangible benefit. Section 114 would force broadcasters to pay record companies for an arrangement that has long existed and benefitted both. I do not believe we should create a new revenue base for recording companies and performers by forcing broadcasters to pay them for a free advertising service which in most instances increases their own commercial record sales.

Nothing in my amendment would alter existing prohibitions against infringement or prevent private agreements on the use of recorded music. However, I believe that the creation of a special fund, which bears no direct relationship between the payments made and the benefits received, would strike an unfair balance between these private parties. In addition, I believe that the creation of new Federal machinery for collection of private revenues is a totally unwarranted and unnecessary Government involvement in the broadcast industry. The protection of legitimate proprietary rights under copyright law does not require this type of radical departure from existing business practices.

EXTENSION OF THE EXPORT-IMPORT BANK ACT—AMENDMENT

AMENDMENT NO. 1462

(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. 1890, the legislation extending the authority of the Export-Import Bank, which I believe is necessary to prevent a deterioration in the competitive edge of the United States in international trade and to insure that taxpayer-subsidized loans are not used to export our manufacturing capacity.

The robust expansion in world trade and this year's high import fuel bill have sent nations scrambling to step up their export capabilities. In the present climate, there are some who would say that all exports are in our national interest because they contribute to a surplus in our balance of trade.

I am a firm believer in free trade, but I am convinced that we must take a hard look at the kinds of exports which are being financed with the cut-rate credits of an independent agency of the U.S. Government—the Export-Import Bank. Exim loans are important in helping to boost U.S. exports on financial terms competitive with those offered by other nations. But that slice of Government-backed Exim financing that contributes to the development of manufacturing capacity abroad whose resulting production jeopardizes our employment and exports now in the years ahead, must be eliminated.

My amendment would prevent Exim

financing of those exports involving the financing of foreign industrial capacity whenever the production resulting from that capacity would significantly displace like or directly competitive production by U.S. manufacturers. My amendment requires that Exim make a determination based on the best available evidence to avoid those credit transactions which enhance the industrial capacity of other countries to the detriment of our own. Moreover, my amendment requires that the Bank include in its semiannual report to the Congress an economic impact statement respecting any transaction which makes specific findings that the transaction is consistent with the above provisions, and identifies and assesses any advantages or disadvantages which are expected to accrue to total net U.S. exports in international markets.

In some cases in the past, it has been the entire productive process—jobs, technology, equipment, and capital—which has been shipped overseas with the help of artifically low interest rates under Exim financing. These exports may make good short-run economic sense in terms of one-shot balance-of-trade benefits, but they are poor long-run economics. Besides robbing us of a potential export market, these loans for manufacturing facilities abroad will result in production which may come flooding back into the United States to compete with our own products.

I believe a couple of examples will demonstrate the need for a reassessment of the Bank's role in financing foreign manufacturing capacity.

The Exim Bank has a record of financing textile facilities overseas. In fiscal 1973 alone, Exim paid out over $40 million to support exports for fiber production plants, textile equipment, spinning mills and weaving looms. Yet the textile-apparel industry in the United States is by far the largest employer of all manufacturing industries. Over the last decade it is estimated that 200,000 American textile and clothing workers have lost their jobs due to increasing competition from foreign producers. It is not certain to what extent the Exim Bank contributed to their loss but it is clear that this is the type of transaction which should receive the very closest scrutiny.

During fiscal year 1973, Exim helped finance 12 projects with $45 million worth of credits for the expansion of foreign steel and pipe manufacturing facilities. Steel capacity in the United States is in short supply and our steel producers must pay over 11 percent interest to borrow the money to build new capacity to produce more steel which will keep prices down by increasing supplies and create jobs here at home.

The Eximbank borrows part of its money from the U.S. Treasury and competes for scarce private funds by the sale of its securities in the private markets; it then extends long-term, low-interest loans at 7 percent to build steel capacity and create jobs overseas. In at least one case in fiscal 1973, Exim helped finance a steel project in Spain with a $5½ million credit. This same company received a $60 million credit in 1967. The production from this steel facility is sold in a number of countries around the world including the United States.

Exim has played a major role in providing financial support for the construction of the Kama River truck and engine plant complex in the Soviet Union—this will be one of the largest operations of its kind in the world. In March 1973 Exim extended credits worth over $86 million for this project and this loan has since been increased to $153 million. While auto workers were on overtime last year, in March of 1974 about 200,000 UAW members were on the streets without jobs, and they are justifiably alarmed by any Government-backed loans for motor vehicle and parts facilities overseas rather than expanding the export sales of trucks produced in this country.

There are more examples where Exim may become involved in the export of manufacturing capacity. I wish to call attention to several cases which are clearly not the sort of financing Exim should participate in, and which would be prohibited by my amendment.

The aerospace industry is an American long-suit in international trade where our technological lead dominates the field. The Soviet Union has initiated talks with Boeing, Lockheed, and McDonnell-Douglas for the sale of 30 wide-bodied jets, contingent on those companies providing the Soviets the technology to build their own commercial jet aircraft complex in Russia to employ more than 80,000 persons, three times the commercial airplane labor force at Boeing or McDonnell-Douglas. Russian negotiators estimate that the average output of the proposed new plant would be more than 100 planes per year. This is about one-half the number of American commercial transports built in 1972 and a third of all large American jet transports delivered last year. Twenty-five percent of the total amount the Exim Bank loaned during the first 9 months of fiscal 1974 went to help finance exports of U.S. commercial jets. As long as this is the export of the finished product Exim serves an important function, but it should not back any loan which assists other nations in developing aircraft manufacturing plants which compete with our own.

There are discussions underway by major U.S. manufacturers to construct chemical plant projects abroad. Chemicals are also a major contributor to our balance of trade. Under my amendment, Exim would be barred from extending credit for any such project when the resulting production competes with our chemical exports.

There is an obvious need for greater analysis by the Export-Import Bank and guidelines to assess the domestic consequences of its loans. While Exim has done its job in promoting U.S. exports of finished products, I do not want any agency of the U.S. Government to be party to financing competition for our industry. We should be sending our products abroad, not our jobs. This amendment will benefit American business by strengthening our competitive edge in international trade; it will benefit American labor by mitigating the export of jobs; and it will benefit the American consumer by maintaining our standard of living. I ask unanimous consent that the text of my 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. 1462

SEC. . Section 2(b) of the Export-Import Bank Act of 1945 is amended by adding at the end thereof the following:

"(6) The Bank in the exercise of its functions shall seek to avoid any transaction which contributes to the development of manufacturing capacity whose resulting production would significantly displace like or directly competitive production by U.S. manufacturers exported to the markets of the procuring country or to the markets of third countries, or sold in the domestic markets of the U.S.

In furtherance of the purposes of the above paragraph, the Bank shall include in its semi-annual report to the Congress as provided in section 2(b)(1) of 635 U.S.C. an economic impact statement respecting any transaction which makes specific findings that the transaction is consistent with the above paragraph, and identifies and assesses any advantages or disadvantages which are expected to accrue to total net U.S. exports in international markets.

DEVELOPMENT OF A FAIR WORLD ECONOMIC SYSTEM—AMENDMENT

AMENDMENT NO. 1463

(Ordered to be printed and referred to the Committee on Finance.)

OUR MISSING IN ACTION

Mr. CHILES. Mr. President, the time has come when we need to remember the forgotten Americans of the war in South Vietnam. During the war and as the war drew to a close, all Americans were concerned and thoughtful of our men in Southeast Asia, our prisoners of war, our missing in action, and those on the battlefield. Now that we have withdrawn our troops and that our prisoners of war have come home, it is hard to keep alive public attention to the many uncertainties which surround events affecting the lives of those still missing in action. I think we need to be mindful of these men and their families and do all we can to secure the most complete accounting of their whereabouts and exhaust every avenue possible in getting our concern and determination across to the North Vietnamese. We should leave no stone unturned in the quest for information and in the search for these Americans.

One avenue that we should take full advantage of is the Soviet Union. If détente is to exist at all, it is not going to be a sentimental journey but a relationship built upon interests and hard bargaining. For every concession we should get something of equal value in return.

My feeling is that we should require of the Soviet Union, in exchange for nondiscriminatory treatment in access to our market—most favored nation status—that they make every effort to persuade the North Vietnamese to pursue all possibilities for the fullest accounting of our missing in action and that the Soviets use their leverage to see that the North Vietnamese Government cooperates in every way.

I am convinced that this is the kind of thing détente should be for. Closer understanding and cooperation with the Soviet Union should advance our interests. And clearly one of our most important interests is that those men missing in action in Southeast Asia who are still alive be found and returned at the earliest possible date and that we be informed fully about those who are no longer living and that their remains be returned to their families.

I feel we need to legislate a requirement that the Soviet Union cooperate with us in achieving these goals and introduce the following legislation to achieve that result.

I ask unanimous consent that the amendment I am introducing to the Trade Reform Act to carry these ideas out 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. 1463

On page 130, line 8, immediately after "(1)" insert "(A)".

On page 130, line 10, strike out "(2)" and insert in lieu thereof "(B)".

On page 130, line 13, strike out "(3)" and insert in lieu thereof "(C)".

On page 130, line 16, after the comma, insert "and".

On page 130, between lines 16 and 17, insert the following:

"(2)(A) has not expressed understanding and concern for the plight of United States military and civilian personnel who are missing in action in Southeast Asia and has not provided evidence to the United States of communications to governments in Southeast Asia urging that exhaustive efforts be made to achieve a full accounting of all such persons, that all such persons who are alive be repatriated, and that the remains of all such persons who are dead be returned to the United States, and

"(B) is not taking action to secure cooperation by such governments with the United States with respect to the return of such persons,".

On page 130, lines 18 and 19, strike out "(1), (2), or (3)" and insert in lieu thereof "(1) and (2)".

On page 131, line 4, strike out "(1), (2), or (3)" and insert in lieu thereof "(1) and (2)".

On page 131, line 5, beginning with "Such report", strike out through line 8 and insert in lieu thereof the following: "Such report with respect to such country shall include the following information—

"(1) the nature and implementation of emigration laws and policies and restrictions or discrimination applied to or against persons wishing to emigrate, and

"(2) the nature and implementation of action taken to secure cooperation with the United States by governments in Southeast Asia in returning United States military and civilian personnel who are missing in action.".

ADDITIONAL COSPONSORS OF AMENDMENTS

AMENDMENT NO. 1371

At the request of Mr. HUDDLESTON, the Senator from Missouri (Mr. EAGLETON), the Senator from Nevada (Mr. CANNON), and the Senator from Utah (Mr. MOSS) were added as cosponsors of amendment No. 1371, providing an automatic cost-of-living adjustment in the retirement income credit, intended to be proposed to the bill (H.R. 8217) to exempt from duty certain vessel equipment repairs and costs.

AMENDMENT NO. 1426

At the request of Mr. PROXMIRE, the Senator from South Dakota (Mr. MCGOVERN) was added as a cosponsor of amendment No. 4126, proposed to the bill (H.R. 11221) to provide full deposit insurance for public units and to increase deposit insurance from $20,000 to $50,000.

AMENDMENT NO. 1437

At the request of Mr. RIBICOFF, the Senator from Michigan (Mr. GRIFFIN) was added as a cosponsor of amendment No. 1437 to extend unemployment benefits, intended to be proposed to the bill (H.R. 14832), to provide for a temporary increase in the public debt limit.

CORPORATE DISCLOSURE HEARINGS SCHEDULED

Mr. METCALF. Mr. President, the Government Operations Committee Subcommittee on Budgeting, Management, and Expenditures and the Subcommittee on Intergovernmental Relations will resume joint oversight hearings next week on Federal agency collection, tabulation, and publication of information and data from regulated firms.

These hearings will be held in room 1318 of the Dirksen Senate Office Building.

On Tuesday, June 25, beginning at 10 a.m., we will receive testimony from Chairman Richard E. Wiley of the Federal Communications Commission, and Chairman Helen Delich Bentley of the Federal Maritime Commission.

On Thursday, June 27, beginning at 9:30 a.m., we will receive testimony from Comptroller of the Currency James E. Smith, a witness from the Federal Reserve Board and Prof. Donald Schwartz and Susan Gross from the Center for Corporate Responsibility.

Further information regarding these hearings may be obtained by calling the Subcommittee on Budgeting, Management and Expenditures at 225-1474—majority office—225-1480—minority office—or the Subcommittee on Intergovernmental Relations at 225-4718.

HEARING ANNOUNCEMENT ON WILDLIFE BILLS

Mr. JACKSON. Mr. President, I wish to announce a hearing by the Public Lands Subcommittee of the Interior and Insular Affairs Committee on S. 1943, a bill to establish the Cascade Head Scenic-Research Area in the State of Oregon; S. 601, a bill to designate certain areas in the United States as wilderness areas (sec. 1(6)), the area classified as Mission Mountains Primitive Area in Montana; and H.R. 6395, an act to designate certain lands in the Okefenokee National Wildlife Refuge, Ga., as wilderness.

This hearing, as previously announced, will be held on June 24 at 10 a.m. in room 3110, Dirksen Senate Office Building. Those who wish to testify or submit a statement for inclusion in the hearing record should contact Steven P. Quarles, special counsel, at 225-2656.

NOTICE OF HEARING ON RETAIL FOOD PRICES

Mr. MOSS. Mr. President, I wish to announce that on June 24 the Consumer Subcommittee of the Senate Commerce Committee, will hold a hearing on retail food prices. We intend to focus special attention on the spread between prices at the farm and prices at the grocery store.

In the last several weeks, we have all become acutely aware of the crisis now facing the Nation's meat producers. I know that in the State of Utah collapse in the market for cattle has put a number of cattlemen and feed lot operators on the verge of bankruptcy. The situation is just as severe in many other States throughout the West, Midwest, and South.

I am pleased that the Senate is now undertaking concrete action to assist the meat producers. On Monday, the Committee on Agriculture and Forestry will begin consideration of proposed guaranteed loan programs to livestock producers.

In addition, a bipartisan group of Senators will be sending to the White House a letter urging the imposition of import quotas for meat.

But, while I believe that the economic situation facing our livestock producers has become so precarious that import quotas are now justified, we must recognize that it will be difficult to justify these quotas to the American consumer, who is still paying the same high prices for beef at the supermarket.

Despite the rapid decline in prices at the farm level, the price of food at the retail level has in most cases, remained at record high. Since last summer the price for feed steers has dropped some $200 a head, but this drop in price has not been passed on to the shopper at the supermarket. The obvious question is: What has happened to the $200? It appears that somewhere between the feed lot and the shopping basket, someone is making enormous profits, and the consumer subcommittee intends to find out just who it is.

We will be hearing testimony from representatives of the cattlemen, the feed lot operators, meat wholesalers, and foodmarket chains, as well as spokesmen for the Agriculture Department.

ADDITIONAL STATEMENTS

COLORADO RIVER BASIN SALINITY CONTROL ACT

Mr. BENTSEN. Mr. President, I am pleased that both the Senate and the House have now acted affirmatively on S. 2940, "The Colorado River Basin Salinity Control Act." I trust that the President will quickly sign this important legislation into law, so that work can begin promptly on the salinity control projects it authorizes.

We have witnessed important progress during the past decade toward resolving a number of long-standing disputes with our long-time friend to the South, Mexico. For the people of Texas, who are especially interested in maintaining the

best possible relations with Mexico, the highlight was the agreement resolving claims over "El Chamizal" and other lands along the Rio Grande River toward which President Lyndon Johnson devoted so much time and personal attention.

For the same reasons, Texans—and indeed the entire Nation—will be gratified that another major obstacle in our relations with Mexico is being surmounted with the passage of S. 2940. When the United States signed the treaty with Mexico in 1944 guaranteeing that country an equitable share of the waters of the Colorado River, no one could have anticipated the extraordinary agricultural and industrial expansion which has occurred in the Southwest of our country since that time. Much less could anyone have foreseen the complex problems in water quality which resulted from that development.

Since 1944, the United States had adhered rigorously to the letter of its treaty obligations to Mexico. But the Mexican Government, as well as the farmers of the Mexicali Valley just below the border, has complained about the deterioration in the quality of the water delivered to that country. In recent years, the high salt content of those waters reached the point that the farming industry in the Mexicali Valley was seriously imperiled.

Beginning in 1962, with the strong encouragement of President Kennedy and his successors, continuous efforts have been made to reach a negotiated agreement on water quality standards and on means for insuring those standards. That agreement was achieved last year, thanks to the untiring labors of former Attorney General Herbert Brownell, Mexican Foreign Minister Emilo Rabasa, and their many collaborators on both sides of the border.

For the most part, the elements of that agreement are contained in S. 2940. Title I of that bill provides for construction and operation of a unique desalting complex which will apply the most advanced scientific technology to reducing the saline content of Colorado River waters to acceptable levels. It is not too much to hope, I believe, that the practical experience gained in the desalinization process from this landmark project will have widespread application to many other water-thirsty areas in the future.

In one respect, unfortunately, title I falls somewhat short of the spirit of last year's agreement with Mexico, since it authorizes immediate measures for undertaking certain groundwater pumping operations close to the Mexican border. It was the hope of our negotiators, on both sides, that these operations would not begin until details of a comprehensive ground water agreement could be worked out. I trust, nevertheless, that the two sides will persevere in their efforts to conclude such an agreement, and I am sure that, for our part, we will adhere closely to the agreed limits on such pumping in the interim.

I am pleased also that title II of the bill will provide some relief for Colorado River water users on our own side of the border who likewise have suffered from the river's rising salt content. I recognize that the administration has some misgivings with respect to this title, inasmuch as it seems to jump the gun on water improvement plans and studies now being carried forward under EPA's supervision. I hope, however, that it will serve as a stimulus to the administration to act more quickly in this field and demonstrate the urgency which the Congress feels toward the need to find ways of satisfying the clean water requirements of our farmers and ranchers in the southwestern areas of the Nation.

Moreover, the agreement as well as the implementing legislation are important examples of the spirit of cooperation and respect that has characterized United States-Mexico relations in the past and, I am convinced will continue to characterize them in the future. This agreement typifies our ability to resolve common problems on a mutually satisfactory basis.

HELP FOR THE BLIND

Mr. TAFT. Mr. President, I was happy to support S. 2687, to amend the Wagner-O'Day Act which passed the Senate on June 13. The Wagner-O'Day Act was enacted June 25, 1938, to create a Committee on Purchases of Blind-Made Products To Provide Employment Opportunities for the Blind in the Manufacture of Products To Be Sold to the Federal Government. The purpose of the original legislation was to offer the Federal Government as a market for products manufactured in the Nation's workshops for the blind, thereby giving the blind an opportunity to lead more productive lives and becomes self-supporting. Following the successful endeavors of the blind, the severely handicapped also proved that, when given the opportunity, they too could lead more productive lives. Public Law 92-28, June 23, 1971, expanded the scope of the act to include other severely handicapped individuals, and to include the performance of services as well as the purchase of products. The name of the committee was changed to reflect these new provisions. It was changed to the Committee for the Purchase of Products and Services of the Blind and Other Severely Handicapped.

The bill, S. 2687, changes the committee name to the Committee for Purchases From the Blind and Other Severely Handicapped to make it less cumbersome, but it preserves the focus and intent of Public Law 92-28. In addition, it would increase the number of committee members from 14 to 15. Present law requires the President to appoint a member to the committee from persons who are not officers or employees of the Government and who are conversant with the problems incident to the employment of both the blind and other severely handicapped individuals. The 15th member, authorized by S. 2687, would be a person conversant with the problems incident to the employment of the other severely handicapped individuals. This would have the effect of broadening the perspective of the statutory committee through participation in its work of two persons of stature from the private business sector instead of just one.

In addition, it extends the definition of "direct labor" to apply to the performance of work under a service contract. This would require that 75 percent of the work be done by those who are blind or otherwise severely handicapped, as is now required in the case of products.

LOUISVILLE POLICE AND LAW ENFORCEMENT OFFICERS

Mr. HUDDLESTON. Mr. President, all too often I think we tend to take for granted the work done by police and law enforcement officers throughout the country. Every day they perform duties which place them in physical danger, and we are all too familiar with the growing number of vicious attacks, often without apparent cause, made upon police officers.

Rather than taking our law enforcement officers for granted, we need to be constantly reminded of the extraordinary service they perform, and of the need for all citizens to cooperate with and help them in their work. No society can exist without laws, and it is the duty of the police and the courts to uphold and enforce those laws. They deserve our support in every way possible.

Just keeping the peace, investigating and solving crimes, and providing protection where necessary is responsibility enough for any police officer. But as society has been more complex, our police have been called on to perform many additional functions—which, of course, requires that they have additional training.

Mr. President, I would like to point out the excellent work that is being done by the police department in Louisville, Ky., where the entire 790-man force is receiving training in handling domestic and family disputes.

This outstanding program, which has the strong and active support of Mayor Harvey Sloan and Police Chief Jack Nevins, is rapidly becoming a model for other cities. To the degree that police can prevent domestic disturbances from becoming violent they are performing an invaluable service to the community and to the individuals involved. And they are due our eternal gratitude.

Mr. President, I ask unanimous consent that an article about the Louisville program, which appeared in the June 9 issue of Parade magazine, be printed in the RECORD so that other communities might be appraised of this outstanding new opportunity of service.

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

THESE COPS STOP FAMILY BRAWLS—PEACEFULLY

(By Theodore Irwin)

LOUISVILLE, KENTUCKY.—Evidently violence, like charity, begins at home. The chilling fact is revealed in the latest FBI Uniform Crime Reports: one out of four homicides in the U.S. occurs within families. Spouse murders spouse in half of these cases.

Moreover, too many police officers trying to intervene in a family fracas have been turned on and knifed, shot, clubbed, and even slain.

What's being done about keeping family peace and preventing bloodshed?

Louisville believes it has the answer. In a novel approach known as Crisis Intervention, this is the first city in the nation to train its entire 790-member police force to act as mediators in pacifying violent domestic quarrels. And it's done without cracking skulls and a minimum of arrests. Moreover, Louisville's plan serves as a model for other cities.

"It's a concept, a kind of mental health first-aid, whose time has come," says Lt. James E. Oney, the husky, easygoing, 33-year-old director of the police training program.

A TYPICAL CASE

Here's how the Louisville cops handle a typical case:

A neighbor phones police headquarters to report a brawl in an adjacent apartment. The radio dispatcher contacts the two-man patrol car on that beat. The pair proceed to the battle scene, listen at the door for sounds of gunplay, then knock, announce who they are and enter.

Inside, they find the apartment a shambles. The wife, her jaw bruised, has stopped screaming. Noticing a butcher knife on a coffee table, one of the cops scoops it up. When the husband starts obscenely cussing out the visitors, one of them takes off his hat and politely asks, "Mind if I smoke? Some people don't like the smell of cigars." Stunned by such unexpected courtesy, the man subsides, the fight drained out of him.

One officer then escorts the wife into another room for questioning while the other listens patiently to the husband's story. Then the couple are brought together, their stories compared. "She's always bugging me about money." "He always stops for beers before coming home." "She keeps nagging, nagging, about my playing poker." "I threw out his clothes, he got mad and hit me . . ."

The cops carefully avoid taking sides. After a half-hour the combatants' chance to air their gripes to someone impartial calms them down. They are asked to promise to go to a family social agency for counseling and given the address. "May we come back next week to see how you make out?" says one cop. As the police leave, wife and husband shake their hands. Mayhem has been averted.

GAVE UP THE OLD WAY

In sharp contrast to such remedial house calls, before Louisville launched its C.I. program about the only recourse police had was to advise the aggrieved to take out an arrest warrant. Veteran Sgt. Roy Parsons recalls:

"In the old days we never took time to listen because we felt we had more important things to do. For instance, we'd tell a raving and ranting husband to take a walk. In one case when he came back home and again whipped his wife, she shot him between the eyes. That isn't likely to happen anymore in this town."

The Crisis Intervention idea surfaced tentatively four years ago when Dr. James M. Driscoll, University of Louisville psychologist, suggested that a 12-man police unit be set up. Under a small feasibility grant from the Kentucky Crime Commission, these men were coached by university psychologists in tackling "conjugal disharmony." The unit's efforts, confined to one district, turned out to be so successful that the Division of Police decided to indoctrinate the entire force.

LOUISVILLE'S THE PLACE

Why in Louisville? Wholehearted support has come from the young (34) Mayor Dr. Harvey Sloan, a millionaire, independent, enlightened and progressive, wide open to fresh constructive ideas, and from Chief of Police Jack Nevins, the first chief in the city's history with a college degree. Nevins, only 37, is sold on the importance of psychology and interpersonal relationships.

For their intensive week-long C.I. training, recruits and officers taking the in-service course study with specialists in alcoholism, drugs, handling of teenagers, facets of domestic conflict. Mock family spats are staged (sometimes with professional actors) in apartment settings equipped with two-way mirrors to observe how a student-officer intervenes, using psychological techniques. Emphasis on behavior modification helps cops recognize when a citizen needs referral to a social agency or mental health clinic. They learn to develop such skills as effective listening, drawing from antagonists the real roots of a conflict. They're educated to realize how they'll be regarded by a family as they step into a home. For practice, recruits go out on field-trip interventions with veterans.

In action, police follow certain ground rules.

"We try not to be judgmental or authoritarian," says Lt. Oney. "No preaching to people or patronizing them. Pushing and shouting are out. We don't tell a family how to live, though we offer recommendations. Hopefully, the family will make their own decisions after we hear both sides and mediate. Whenever possible, our officers try to come up with some kind of resolution."

Decisions have taken diverse forms. One night a few months ago a Mrs. K. frantically phoned the police. Having tear-gassed her husband with Mace, she was sure he was about to shoot her. "I know Jack has a gun!" Speeding to their house, Sgt. Parsons and his partner found the couple at bay, in effect awaiting rescue.

FIRST, A PRECAUTION

First, an old gun—unloaded—was removed from a desk. Then, during gentle hour-long questioning, Mrs. K., a heavyset woman, accused her spouse of having an affair with a young neighbor, but couldn't pin down proof. In turn, Jack reasonably explained what had appeared to be intimacies with the friendly neighbor. Following police department procedure, Sgt. Parsons asked the couple what solution they proposed. With a deep sigh, Mrs. K. replied: "All right, we're going to bed now and work out our problems there. Thanks, officers, for coming." The police never had a call from them again.

The right attitudes, techniques and stratagems go far in calming family strife. Louisville cops know they should use compassion, show consideration and respect for the troubled. An officer may comment, "We have bad days, too."

"In most instances," Lt. Oney points out, "our uniform and relaxed attitude have a cooling impact. But if that doesn't affect an uptight member of the family, we get him—or her—to sit down. It's hard to argue sitting down. Or, to break the tension, I've asked 'Can I bother you for a cup of coffee?'

Most of our officers have learned to accept verbal abuse as a way people have of defusing their anger, indignation or frustrations. Their hostility may be switched to us, and it could be with a knife or gun. But often a bad-mouther will apologize later because you let him yell his head off.

"When we go into a home we make it clear we're there to help, not to lock anyone up. Unless there's an obvious villain—like a guy stabbing someone—arrest is the last thing mentioned. We prefer alternatives to jail, like referrals for professional counseling."

Rarely do the police resort to force and not once have they had to draw their guns. Nightsticks are usually left in the patrol car.

Prime time for Crisis Intervention begins after 6 p.m. when the husband returns from work. In more than half the cases, someone has had too much to drink. Many fights erupt over money, alienation of generations, jealousy. Crises run the gamut: threatened suicides, parental opposition to a teenager's drug abuse, intense sibling rivalries. Highly charged emotionally, adversaries may go after each other with hammers, pipes, or baseball bats, throw bottles, or anything in sight.

Faced with clashing couples, novice cops assume the husband is generally to blame. No so, Lt. Oney contends. "We've learned it's apt to be the fault of both parties. In fact, in many cases the wife triggers the problem." Adds Judge John George of the Louisville Domestic Relations Court: "Often she's a shrew, terribly sharp-tongued, and you can't blame the man."

While most calls come from working-class neighborhoods, the police have also been summoned to homes of lawyers, doctors, newspaper reporters and even a former judge. One family hassle broke out when a lawyer came home two hours late for dinner. When the police arrived, his wife screamed, "This was supposed to be our wedding anniversary and he's messed it up. I want a divorce."

A QUARREL, A THREAT

In more serious situations, lives have been saved. Not long ago, Warren T., a 26-year-old salesman, barricaded himself in his apartment with a loaded rifle. He had had a bitter quarrel with his parents over the burning of their lake cabin. "If the cops try to rush the door," he yelled to a friend, "I'll kill as many pigs as I can, then shoot myself."

After five police cars sped to the scene, Jim Oney took over. Phoning Warren from an upstairs apartment, he used C.I. tactics to learn that Warren was enrolled in a night course in sociology—one that Oney himself had taken. That opened lines of communication and the lieutenant soon understood why the young man was enraged at his family. Gradually, Oney persuaded him to place the rifle outside his door. Then Warren let the officer take him to a hospital for psychiatric evaluation.

At times the police assume the role of lonely hearts adviser. There was, for instance, the furious young and luscious wife who started to pack her clothes to go back to her mother, generating a terrific argument. The cops who responded to the crisis call got her, for the first time, to express the underlying cause of the friction. Having bought a new sports car, her mate of six months was spending all his free time sprucing it up. Leading him to a corner, one officer remarked. "If you can make love to your car, do you need your beautiful wife?" The fractured marriage mended that night.

Thus far, Louisville's C.I.-trained police have stepped into more than 1200 family crises and not even one cop has been attacked as an intruder. After the initial experiment with the 12-man C.I. unit, Dr. Driscoll and his colleagues polled the "clients" visited. As the psychologists reported, there was a significant high rapport between families and the police, and overall the people were satisfied with the way cops had interceded. A common reaction: "I never believed cops could be so nice."

In turn, officers reported they had to use less force in handling family conflicts than they did in the past.

OVERCOMING TRADITION

Yet shortcomings are inevitable, Oney admits. Much depends on the individual policeman. Some of the older, tradition-bound members of the force—including several commanding office.s—tend to resist innovations, believing they have no business in domestic rows or in the mental health arena.

"We should retrain these men," suggests Lt. Oney. "And we are getting younger, more flexible commanding officers."

Like other citizens, cops themselves are hardly immune to family discord. On two occasions, beat patrolmen had to be called in to restore harmony between fellow officers and their spouses. Predictably belligerent at first, the battling cops finally agreed to go for counseling at the university's psychology clinic.

Lt. Oney confesses that before he went through C.I. indoctrination he and his wife,

Phebe, had had a few stormy disputes, mainly over their two children. "Now we argue less often," he says. "In our last tiff, a few months ago, when I was working day and night, Phebe blew up, charging that I was spending too little time with the kids. I agreed—and took a week's vacation. I attribute the peace at our home to my C.I. experience."

As for the citizenry at large, with word passing around town about the police referees, an increasing number of squabbling families have been calling for the patch-up service this year.

Other communities, too, are becoming aware of what Louisville is doing. To study the system, police departments have sent men from Dallas, Richmond, Las Vegas, Cincinnati, Los Angeles, and a dozen other cities. Using Louisville as a prototype, Charlotte, N.C., and Miami Beach have already launched similar Crisis Intervention projects. These differ, however, in that C.I. training is restricted to special squads of 18 or 22 men, and their cops wear blazers, rather than uniforms.

Now the federal Law Enforcement Assistance Administration (LEAA) has gotten into the act by subsidizing six police departments to set up Crisis Intervention systems. Grants of $200,000 each were awarded in April to New Orleans; Jacksonville, Fla.; Peoria, Ill.; Syracuse, N.Y.; Columbus, Ga., and Portsmouth/Chesapeake, Va. The hope is that the mediation idea will spread through each region.

After all, the nation's half-million cops do represent an untapped natural resource for keeping families peaceful.

LITHUANIAN ANNEXATION

Mr. SCHWEIKER. Mr. President, June 15, 1974, marks the 44th anniversary of the forcible annexation of Lithuania by the Soviet Union.

It is fitting that we pause to commemorate the struggle of Lithuania for political, religious and cultural freedom and self-determination. It is important that we join with the Lithuanian-American community and people of Lithuanian descent everywhere in reaffirming our commitment to that struggle.

Mr. President, I ask unanimous consent that a portion of a 1959 New York Times editorial on the plight of the Baltic States be printed in the RECORD.

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

BALTIC STATES

We do not propose to go to war for the liberation of the Baltic States. Nor do the citizens of those states, still resident there or in exile in other lands, argue for the sort of nationalism that existed between the first and second World War. What they do ask for is political, religious and cultural freedom. They are as aware as the rest of us that such freedom can exist only in a world of freedom.

In the Baltic countries the path to a better future is still dark, but it is not lost and will not be. The day of the overlords will not last forever. The time will come when the three lost little nations will be able to come out and join us.

WHY THE FARMER IS NOT TO BLAME FOR FOOD PRICES

Mr. McGOVERN. Mr. President, an enlightening description of the whipsaw effect of the food economy which depresses farmers' income without assisting the consumer appeared yesterday morning in the Outlook section of the Washington Post.

Many consumers may find it difficult to understand the agonizing financial losses being suffered today by livestock producers.

While retail meat prices may have dropped slightly in the past several weeks, they come nowhere near reflecting the disastrous drop at the farm level which threatens to bankrupt hundreds of thousands of livestock producers.

As an example, the wholesale-retail price spread per pound of pork in April was 34.7 cents per pound—compared with 23.6 cents per pound in April a year ago, 22.7 cents in all of 1973, 18 cents for 1972, and 18.2 cents for 1971.

The article, "Feeling Outraged About High Prices Down on the Farm," should be must reading for anyone concerned about the difficulties of the agricultural producer today, and anyone who is interested in the consumer's buying power. I ask unanimous consent that it be printed in the RECORD.

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

FEELING OUTRAGED ABOUT HIGH PRICES DOWN ON THE FARM

(By Jim Hightower)

"Farmers never had it so good," declared President Nixon at a press conference in March. But have they? Certainly, farm people do not share the President's cheery outlook on the farm economy. In fact, farmers were shocked and outraged, and one national farm group considered the remark so callous as to warrant impeachment.

With the highest food and farm prices in memory, what caused farmers to bridle at the President's comment? Two things in particular.

First, farmers did not benefit most from the exorbitant food prices of 1973—the U.S. Department of Agriculture (USDA) reports that food middlemen continued to take nearly three-fifths of the consumer's food dollar in 1973.

Second, the President was trying to make political hay out of a temporary farm price boom that already is fizzling out—1974 does not look all that great to farmers.

Consider the first question: who profited? There can be no doubt that 1973 was a good year for farm income, especially for grain and livestock farmers. As it turns out, administration publicists were a bit overzealous in their initial claims for farm income and they had to revise their early figures downward by $2 billion. And there is considerable doubt that all of the $24 billion farmers supposedly earned actually ended up on the farm, since a good many corporate processors and marketers of such commodities as eggs and poultry get counted as "farmers." These quibbles aside, however, 1973 was not a bad year to have been a farmer.

But it was not the kind of year that warrants being singled out in a Presidential press conference. Even with the record income levels of 1973, farmers received only 46 cents of the consumer's food dollar. The rest went to the corporate middlemen that process, market and retail food. Nor does every farmer in America draw 46 cents ever time a consumer lays down a dollar; most farmers never see that kind of ratio.

For an example, the chicken for which you pay $1.50 pays the chicken farmer 6 cents. USDA statistics show that a can of peaches cost consumers 41 cents last year, but the peach farmer got only 7 cents of it. You spent 28 cents for a loaf of white bread, but only 4 cents trickled back to the wheat farmer. A head of lettuce cost 43 cents at the supermarket, but paid only 4 cents to the farmer.

PROCESSORS' PROFITS UP

At a time of skyrocketing food prices and consumer disgruntlement, the President pointed to farmers, without bothering to mention that food corporations were enjoying even better times. Far from flattered, farmers felt picked on. Cattle ranchers are said to have done especially well in 1973, but none did anywhere near as well as such corporate cowboys as Iowa Beef Processors, with 66 per cent profit increase last year, or American Beef Packers, with a 288 per cent profit increase. Food processors grumbled all last year about government price controls, but their 1973 profit figures suggest that they grumbled all the way to the bank. For example, the big canners of fruits and vegetables did much better than the farmers who grow them with such firms as Del Monte taking a 35 per cent profit increase in 1973, Campbell soup 23 per cent and Castle & Cook (Dole) up 52 per cent.

The May 4 issue of Business Week offered another interesting insight into how the chips actually fell last year. In a listing of salary increases for corporate executives, the food industry was found to be very generous. Food firms and government officials are quick to point to rising labor costs as an inflationary villain and a drain on corporate profit margins, but they do not draw attention to inflationary jumps in executive salaries. In 1973, food industry workers had wage increases of 6 percent. Up in the executive suites of food corporations, however, there was much less restraint.

Food manufacturing firms ranked ninth out of 32 industries surveyed by Business Week, boosting the pay of their top executives by an average of 17.7 per cent. For example, while consumers were being advised by government and industry to switch from beef to beans, Kraftco increased the salary of its board chairman from $264,000 to $321,000. Consumers ultimately get to pay for Kraftco's internal largesse. Grocery chain executives ranked fourth in Business Week's listing, taking home a 24.3 per cent pay increase. Safeway, which complained all last year that its profit margins were paper thin, scraped up an extra $16,000 to round off its chairman's salary at $200,000 a year. Nothing that these corporate executives now claim to be feeling the "pinch" of inflation, Business Week reports that their pay levels can be expected "to take another big jump with the expiration of controls."

FARM PRICES DOWN

Grocery shoppers undoubtedly are puzzled over the phenomenon of the "disappearing price drop" in our food economy. Since September, 1973, the news media have been reporting each month that the farm value of food has been falling. But that price drop on the farm has not made its way into the supermarkets. Farm prices fizzled 16 per cent from August to December of last year but supermarket prices remained sizzling hot. Even as President Nixon was making his remarks about the good fortunes of American farmers, the price they were being paid was falling for the sixth straight month, while the price charged to consumers actually was rising.

Not only did food firms pass all of the farmers' 1973 increase right through to the beleaguered consumer, but they also attached a sizable markup of their own. The Federal Reserve Bank of Chicago reported on March 8 that food middlemen increased their take from consumers by 6.5 per cent in 1973. That is an increase exceeded only once (in 1970) in the last 20 years. And the Department of Agriculture reports that these firms will increase their share in 1974 at a rate that "may be more than double the 1973 increase." What that means is that consumers will pay much more for food this year and much less of what they pay will go to farmers.

In 1973, the farmer was averaging 46 cents of the food dollar. By May, 1974, that already had fallen to 42 cents, the same level it was prior to the boom of 1973. And the farmer's share is expected to fall even more during this year. The retail price of food is hardly keeping pace. A Department of Agriculture report shows that the price of bread rose from January to April by two cents, while the farm value of bread ingredients fell by two cents. That is four extra pennies picked up by middlemen every time a loaf of bread is bought.

Not only are middlemen failing to pass along cheaper farm prices, but some appear also to be holding back on supplies of farm goods. For example, Reps. Frank Denholm (D-S.D.), Thomas P. O'Neill (D-Mass), and Lester Wolff (D.-N.Y.) have suggested that meat packers and processors are widening their profit margins today by manipulating available supplies of meat.

The congressmen took a look at the meat industry's cold storage inventories in May and found an astounding amount of meat being packed away in corporate warehouses. Department of Agriculture figures showed that cold storage of beef by the packers and processors is 33 per cent above last year, pork stocks are 43 per cent greater and poultry storage is up by 87 per cent. Denholm charged that this storage "clearly pirates the prices of consumers and producers alike." By storing meat, the corporations can artificially decrease supplies in supermarkets, thus keeping consumer prices high. Simultaneously, the record inventories decrease industry demand, thus dampening prices paid to meat raisers.

During April, farm prices overall fell another 4 per cent, with the price of cattle falling from 39 to 37 cents a pound, hogs down from 31 to 26 cents a pound, wheat down from $3.98 a bushel to $3.52, cotton down from 58 to 49 cents a pound and eggs down from 50 to 42 cents a dozen.

STEIN'S STATEMENT

A remark in May by Herbert Stein, chairman of the President's Council of Economic Advisors, is depressing to farmers and consumers alike. He said, "The *declines* in farm product prices are likely to be reflected in much smaller *increases* in retail food prices than occurred in the first quarter of 1974" (emphasis supplied). Only the Grocery Manufacturers of America and the National Association of Food Chains can appreciate the logic of that.

In fact, that is the kind of logic that food middlemen can carry to the bank. The Federal Reserve Bank of Chicago said in its May 31 agricultural letter that "the available evidence suggests that higher profits have contributed to the widening farm-to-retail price spreads." That conclusion is supported by Business Week magazine figures showing that in the first three months of this year the largest food retailers had profits that were 59 per cent higher than a year ago, even though their sales were up just 14 per cent.

The Department of Agriculture clouds the issue of high middleman profits by reporting figures that encompass all food firms, the small with the giant. There are 32,000 food manufacturing firms in America, but just a handful of those sell nearly all the food and control the industry. In May testimony before the Joint Economic Committee, the Federal Trade Commission's Dr. Russell Parker noted that "the 50 largest [food manufacturers] controlled 50 per cent of assets of 1964, they accounted for 61 per cent of profits and nearly 90 per cent of television advertising." According to Dr. Parker and other authorities, this level of industry concentration is increasing steadily. These are the brand-name giants, powerfully situated between millions of farmers and millions of consumers, and they are fast becoming the decisive force in the American food economy.

The average profit increase for all 32,000 food firms in 1973 would not be remarkable, but the dominant firms had "a year to remember," as Business Week put it. A special USDA task force on food marketing costs reported this month that the profits of food middlemen in 1973 "probably" will exceed the 1972 total of $3.4 billion. But the task force need have no doubt about the largest firms. Analyzing the 66 largest food processors, Business Week reported in March that their profits averaged 17 per cent higher than in 1972. The profits of those 66 industry leaders were more than $1.8 billion, which is more than half the industry's total for the previous year.

To a significant degree, this level of profit is the result of monopoly power in the food industry.

Dr. William Shepherd, a leading authority on market concentration, reports that the food industry falls well within the category of "tight oligopoly," with the average four-firm concentration within the industry being 55 per cent. In many food lines, shared monopolies exert much greater control. For example, 91 per cent of all breakfast cereal is sold by four firms (Kellogg, General Mills, General Foods and Quaker). Three firms (Dole, Del Monte and United Brands) sell 85 per cent of all bananas in this country. Gerber alone sells 60 per cent of all baby food and Campbell's sells 90 per cent of all soup.

The same high levels of concentration exist in food retailing, with more than half the cities in the country being dominated by four or fewer chains. In the Washington, D.C. area, for example, Safeway, Giant, Grand Union and A & P control 72 per cent of the grocery market. Nationally, one-third of all the convenience grocery stores are owned by Southland Corp., parent of the 7-11 chain.

PRODUCTION COSTS

There is another harsh economic reality that is squeezing farmers and causing them to think anew about the advice of old-time populist leader, Mary E. Lease: "Raise less corn and more hell." That reality is the rise in farm production costs.

Not much of what the farmer gets stays in his pockets, for he has a mess of bills to pay. As farmers move into the summer months, they are massively pessimistic. The cost of their production supplies has increased about as rapidly as the plummeting of farm prices. In March alone, farm prices fell 4.4 per cent, while the cost of farm inputs increased 2.2 per cent. The Department of Agriculture predicts that farmers' expenses in 1974 will be "more than $9 billion above last year."

A corn farmer in Iowa told the Des Moines Register of fertilizer prices this year 40 per cent higher than last, of diesel fuel prices doubling since last year and of corn seed that has gone from $25 a bushel to $37 a bushel. The cost of new machinery has gone out of sight, and repair of old machinery is about as costly—as this corn farmer put it, "You don't need too big a truck to haul away $500 in parts." He is having to shell out this kind of money now, while the price he can expect for his corn already has tumbled this year from $3.25 a bushel to $2.27.

At work here is the other jaw of the corporate vise that is squeezing family farmers and contributing to higher food prices. There may be a profit made on the farm in 1974, but there will be much more profit made off the farmer. Here's a sample of profit increases farm suppliers already have had in the first quarter of this year.

First quarter, 1974

[In percent]

	Profit increase	*Sales increase*
International Harvester	113	16
Stauffer Chemical	55	31
Occidental Petroleum	716	96
Firestone Tire & Rubber	19	17
Pfizer	33	26

SOURCE.—Business Week, May 11, 1974. "Survey of Corporate Performance: First Quarter 1974," pp. 70–90.

To put these profits into perspective, the average profit increase in all industries in this first quarter was 16 per cent. And again, these profits can be traced to the existence of monopoly power within the industries. For example, Dr. Shepherd reports that the four leading farm machinery firms hold 70 per cent of the relevant market. The Federal Trade Commission staff found in 1972 that farmers were overcharged $251 million because of the existence of monopoly power in the farm machinery industry. The four-firm concentration ratio in the chemical industry is 71 per cent; in petroleum refining, 65 per cent, and in tires, 71 per cent.

The general public, the Congress and the press have paid little attention to the rise of corporate power in the food economy. It is time to notice, for not only has that power become significant, it already has become the single, most dominant factor affecting the food supply.

It is impossible in the long run to lower food prices, to raise farm income and to assure a steady supply of nutritious food without dealing directly with the shifting structure of the food economy. Both as suppliers of inputs to farmers and as buyers of raw commodities from them, corporations have become the determining force in the farmer's business. As manufacturers, advertisers and retailers of food, corporations have become the decisive force in the quality, choice and price of food available to the shopper.

As a minimal first step toward keeping corporate food power in check, the country's antitrust apparatus ought to be focused on food. The Federal Trade Commission shows some hopeful signs that it might be listening to consumer and farmer complaints on food issues. The chairman of the commission, Lewis A. Engman, has announced creation of a special task force of lawyers within FTC's enforcement branch to develop and implement a program of antitrust action directed at the food industry. Whether Chairman Engman's highly-touted "National Food Plan" will be more than window dressing is questioned by several consumer and farmer organizations, but at this point they are grateful for any official response tossed their way.

Also encouraging are signs that at least a few congressmen are waking up to the corporate presence and beginning to probe for some answers. Within the last six months, the Senate Select Committee on Small Business, the Senate Commerce Committee and the Joint Economic Committee have conducted public hearings on the role of corporate middlemen in the food economy. In addition, the Senate Antitrust and Monopoly Subcommittee and the Senate's Permanent Subcommittee on Investigations have shown an interest in corporate activities that affect farmers and consumers.

These are halting, first steps, but they are important. Old perceptions of food power, based on the idea of independent farmers responding to sovereign consumers, no longer are valid. Increasingly, corporations are the decisive force at both ends of the food chain. That fundamental shift in power

is too important a matter to be left to USDA and corporate executives.

The most lasting and significant impact of 1973's skyrocketing food prices may well be the wide public attention that the jolt of those prices attracted to food economics. The food issue will abate somewhat in intensity, but it will not go away, and neither will public attention. The food industry can expect much more scrutiny in the months ahead.

WCET–TV 48, CINCINNATI, OHIO

Mr. TAFT. Mr. President, WCET–TV48 of Cincinnati, Ohio was the instigator and designer of a comprehensive television-video tape system in Lincoln Heights Elementary School, located on the outskirts of Cincinnati. The March 8 edition of Children's Television Workshop Newsletter contained a feature story on the role of WCET–TV48 in a successful reading program. Children's Television Workshop is the producer of the two highly successful program series for children, "Sesame Street" and "The Electric Company."

I believe that this success story deserves the attention of my colleagues and ask unanimous consent that it be printed in the RECORD.

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

THE ELECTRIC COMPANY

TEC TURNS SCHOOL ON TO READING

The Electric Company was credited by elementary school teachers and officials in the Cincinnati suburb of Lincoln Heights with playing a major role in revitalizing reading interest and skills among students who watched the series daily on an experimental multi-channel closed circuit videotape system installed in the Fall of 1972.

The impressive results of two sets of standardized achievement tests were cited by Ernest Ector, principal of the 780-pupil Lincoln Heights Elementary School where the TV system was installed, to show that second and third graders exposed to the system and to the Electric Company for a school year were five and six months more advanced in acquisition of reading skills than previous second and third grades not exposed to the system. These results were in market contract to the situation three years earlier when 75 per cent of Lincoln Heights School District students tested well below appropriate achievement levels for their ages and grades and some elementary school students were trailing contemporaries in other schools in reading achievement by as much as two and three years.

Ector credited the gains to his school's intensified reading program that was built mainly around use by teachers of the videotape system and "The Electric Company." The series was the program most frequently used in the first year of the system's operation. It was the only program shown almost continuously all day long and was available to teachers any time during the day. "The Electric Company" and "Sesame Street," which was shown to Early Start, kindergarten and first grade classes, were assigned two of six in-school channels that feed along with the on-air broadcasting of Cincinnati's educational station, WCET–TV, educational material to monitors in every classroom.

The WCET–TV staff, including Charles Vaughan, president and general manager, and Mrs. Marjorie McKinney, director of instructional television services first conceived of the idea of tacking a no-progress-in-reading-achievement trend with a highly flexible closed-circuit system tailored to meet teachers' needs.

With a population of 7,000, Lincoln Heights is the largest all-black city in Ohio and possibly the nation. Severe reading and math deficiencies among its 1,800 students were revealed in testing in 1970 when the local school district was merged with its larger, more affluent and primarily white neighbor, the Princeton City School District.

A crash remedial reading and math program instituted by school officials resulted in some gains but, according to Ector, the conclusive improvements in reading began with the installation of the videotape system suggested by WCET–TV. The first indications that Lincoln Heights students were indeed closing the gap in reading achievement came in the form of results from Gates-MacGinitie standardized tests administered in May 1972 and again in May 1973 after the new system had been in operation for eight months.

The tests, according to Ector, showed that second graders in 1973 were five months more advanced in acquisition of vocabulary and six months more advanced in reading comprehension than their non-viewing counterparts a year earlier. Third graders, the test showed, were five months ahead in vocabulary and three months ahead in comprehension of the previous third grade, said Ector, who also reported that the Gates-MacGinitie results were substantiated by Stanford Achievement Tests administered in May 1972 and October 1973. "We finally reversed a no-progress trend that is still evident in other area schools," the principal said. "We were finally making progress in reading achievement."

FLEXIBLE SYSTEM

The WCET–TV staff—which not only originated the idea for the system but also designed it, obtained funding, oversaw its installation and maintains it—recognized the need for a totally flexibile system that would put maximum control in the hands of the teachers. This meant equipping each classroom (40 in all) with a 23-inch color TV monitor and six sets of earphones. Teachers have found the earhpones especially handy when singling out individuals and small groups for special attention. The educational material seen on the in-school system is taped from Channel 48 (WCET) and commercial stations by the system's operator using a videotape recorder (VTR). Six other VTR's broadcast previously taped material to the school's channels. "The Electric Company" and "Sesame Street" are taped automatically each day by the control room operator, while other educational TV programs are taped and used only when requested by teachers who are kept apprised of upcoming educational programs by WCET.

The entire cost of the system, underwritten by the General Electric Aircraft Engine Group, the Ford Motor Company Fund (separate from the Ford Foundation) and the Andrew Jergens Foundation, was $42,250. The outlay included expenditures for the 40 monitors, 240 sets of earphones, seven VTR's, 50 videotapes, peripheral control room equipment and two years of servicing.

Teachers like Tom Hinkle feel that having the videotape system is, in his words, "Like having another arm." About "The Electric Company," Hinkle said, "That show stays with the kids. Weeks later they remember segments with material I'm trying to teach." He's noticed that even though his second graders are exposed to "The Electric Company" in school they go home and watch it again. "This type of thing is great reinforcement. It's kind of like bringing the home and school together," he said.

Mrs. Anzola MacMullen, head of the school's resource center where the videotape system's control room is located, said that "The Electric Company" has had a definite impact on students. "It's most obvious in the way the kids are using the library. Circulation is up and there is much greater interest in using the center especially on the part of third-to-sixth graders," she explained, and then added that teachers and students come clamoring down to the control room to find out what's wrong when a system malfunction interrupts "The Electric Company."

DO FLOATING EXCHANGE RATES CAUSE OUR SUPER INFLATION?

Mr. PROXMIRE. Mr. President, the economics professions seem to be in serious disarray on the causes and cures of the present inflation. As vice chairman of the Joint Economic Committee, I intend to press hard for a comprehensive study of inflation—on a thorough, professional scale of the kind the Congress made in the classic TNEC inquiry in the late thirties and again the Joint Economic Committee's economic studies in 1960.

Relative to that study one of the most interesting analyses of the current worldwide inflation has been made by two brilliant young economists, Arthur Laffer of the University of Chicago and Robert Mundell of the University of Waterloo in Ontario, Canada. These two experts contend that the shift from fixed to floating exchange rates in adjusting international currencies is the culprit and they mount a highly persuasive case to prove it.

On the surface, at least, the case seems very powerful. For one thing there is the remarkable time coincidence. The moderate inflation of the 1950's and 1960's ended in 1968 when exchange rate changes began taking place fairly frequently. It speeded up in 1971 with rapid exchange rate changes and when the float of exchange rates began in February 1973, the world became wildly inflationary.

Mr. President I ask unanimous consent that a review of the case for fixed exchange rates, written by Judge Wanniski, of the Wall Street Journal, be printed in the RECORD.

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

THE CASE FOR FIXED EXCHANGE RATES

(By Jude Wanniski)

When economic policymakers get together in Washington they fret that the usual economic medicine no longer seems to work—inflation seems oblivious to fiscal discipline, tighter money, dampened demand or increased supply, or even new proposals to tie the economy to the consumer price index. But at least, the policymakers sigh, our international problems have been solved by floating exchange rates.

There are, though, at least two economists who are prepared to argue that floating exchange rates are precisely the reason the rest of the medicine no longer works. Arthur B. Laffer of the University of Chicago and Robert Mundell of Ontario's University of Waterloo are proponents of an unorthodox view of international economics. They believe that the fundamental cause of the current world inflation is excess growth in the world money supply, but that floating rates are a structural cause that "ratchets" the inflation into double-digit figures. And they believe the world cannot solve the inflation until it arranges a system of truly fixed exchange rates.

After all, Professors Mundell and Laffer point out, the moderate inflation of the 1950s and 1960s ended in 1968, when exchange-rate changes began taking place with some frequency. Inflation speeded further after August 1971, when exchange-rate changes were taking place with rapidity. And when fixity was abandoned and the world began floating in February last year, the world became wildly inflationary.

THE MUNDELL-LAFFER ARGUMENT

In the Mundell-Laffer view of the world economy, this result is inevitable. Their theoretical model rests on a basic assumption they argue is a close approximation of reality in today's increasingly integrated economic world. This is that an article's real price—that is, its value relative to other articles rather than to national currencies—cannot be different in two nations with closely related economies. If it were supplies of that article would simply flow from one nation to another until the real prices were equal.

If this is true, it follows that when one country devalues its currency in relation to another country, prices as measured by the two currencies will adjust to compensate for the change; the nominal prices will change to maintain equal real prices. And from this seemingly simple proposition flow a number of unorthodox conclusions.

One, for example, is that a nation cannot improve its balance of trade by devaluing; it will achieve no competitive advantage because nominal prices will change and real prices will not. A second is that a nation that does devalue its currency will suffer extraordinary inflation; if real prices remain unchanged, its nominal prices will have to go up faster than the rst of the world's. Professor Laffer has elaborated these arguments in articles on this page on Feb. 5, 1973 and Jan. 10, 1974.

In a world of constantly floating exchange rates one more factor becomes important: Prices are rigid in the downward direction. That is, prices move up more easily than they move down. If there were no rigidities and country. A devalued against country B, half of the adjustment would show up as higher nominal prices in country A, and half as lower nominal prices in country B. But because of the downward rigidity, a disproportionate amount of the adjustment takes the form of inflation in the devaluing country.

So suppose that floating exchange rates prevail between currency A, perhaps the dollar, and currency B, perhaps a bundle of European currencies. And suppose A depreciates by 10% in six months, and appreciates by the same amount in the next six months. Nominal prices in both countries adjust to compensate for these changes in exchange rates. In the first six months a disproportionate share of the adjustment takes place through inflation in nation A, and in the second six months a disproportionate share takes place through inflation in nation B. Thus at the end of the year the exchange rates are unchanged, but nominal prices in both nations are higher. The float has ratcheted world inflation to a higher level.

The view that floating exchange rates foster inflation is only one part of a far larger economic viewpoint Professors Laffer and Mundell have been developing. They argue strongly for fixed exchange rates, as a method of promoting world economic integration. And while most proponents of fixed rates are traditional economists forever constructing elaborate mechanisms trying to approximate the 19th Century gold standard, these two professors argue from a monetarist economic viewpoint, usually associated with floating rates.

DIFFERING WITH MR. FRIEDMAN

Professor Mundell, a 41-year-old Canadian renowned in the profession for his brilliance—he picked up his Ph.D. in six months residency at MIT 18 years ago—was the prime mover in conceptualizing the theory. Professor Laffer, 33—on the faculty of Chicago's Graduate School of Business at 27—has been the more flamboyant and aggressive of the two, both in working through the rigorous underpinnings of the theory and in presenting it. They were drawn together at Chicago six years ago and began applying the Friedman monetarist model of the U.S. economy to the world. Their sharp differences with Professor Friedman on the exchange-rate issue is the result of this difference in perspective.

The typical monetarist argument for floating exchange rates holds that only through pure floating can a country gain independence over its monetary policy. When central banks are not required by agreement to intervene in order to support a "weak" currency, the country whose currency is weak is forced to accept the consequences of the easy-money policies that made the currency weak. It will no longer be able to "export" inflation, and by the same token it will not have to import the inflation caused by excess money creation outside its borders. Floating advocates say this is desirable, that it exerts an internal discipline on each monetary authority to act responsibly.

Professors Laffer and Mundell agree that floating rates give each nation independence in monetary policy, but they believe such independence is undesirable. It interferes with maximum economic efficiency, in effect serving as an economic barrier such as tariffs or quotas.

In viewing the world itself as a closed economic system, they say it is recognized as being desirable that there be one price for wheat and zero barriers to trade, thereby assuring that wheat will be produced by the most efficient. So too, in a closed national economy, or in an ideal integrated world economy, there would be one money, a common currency in which all prices are measured and all transactions take place. In a less than ideal world, this condition can be approximated by truly and absolutely fixed exchange rates. If rates are fixed, devaluation and revaluations of money no longer interfere with the efficiencies of a free market.

The idea that a fixed system is a market system and a floating system a controlled one is the most difficult Mundell-Laffer concept to see. Its essence is that when rates float, the central bank of each country has a monopoly over its money supply; when rates are fixed, the citizens of the participant countries share in a common money pool with no interference by their respective governments.

Under a float, the citizens of the United States, in order to satisfy their money demands, have to rely exclusively on the individuals who run the Federal Reserve to produce the precise money supply to meet demand. Because the individuals at the Fed can never know precisely what the demand is, they can only make rough guesses, and are always wrong in one direction or the other. If an excess is produced at a given instant in time, it cannot be exported for use by other countries. If a shortfall is produced, U.S. citizens cannot make up the difference by borrowing foreign currency and converting it to dollars.

Under a fixed-rate system, by contrast, the central banks of the system do not have to be precise in their production of money. If they produce too much, foreigners will borrow it, take it to their central banks, and convert it to local currencies. If the Fed produces too little at a given instant in time, it cannot be exported for use by other countries. If a shortfall is produced, U.S. citizens cannot make up the differences by borrowing foreign currency and converting it to dollars.

Under a fixed-rate system, by contrast, the central banks of the system do not have to be precise in their production of money. If they produce too much, foreigners will borrow it, take it to their central banks, and convert it to local currencies. If the Fed produces too little at a given instance, money demanders here will borrow abroad and convert those foreign currencies to dollars by presenting them at a central bank.

Under fixed rates, inflation will still result if the world money supply—the aggregate of the money created by all the central banks—grows faster than productive resources. But because the money is shared, the inflation rate will be similar in all countries. And of course, the inflation caused by excessive money growth will not be intensified by the ratcheting effect of floating rates with downward price rigidity.

Beyond that, because the integrating effect of a common money promotes total eco-economic efficiency, there are conditions in which it can combat both inflation and unemployment simultaneously. To explain this, Professors Laffer and Mundell use a simplified two-country model. Consider Country A, which uses dollars and has a 10% inflation rate and 0% unemployment. Country B uses francs, has a 0% inflation rate and 10% unemployment. Country A clearly has too few goods and no more workers; Country B has all the goods it needs and too many workers. Given independent money systems, Country A can't make use of the surplus workers in Country B; Country B can't make use of the surplus money of Country A to employ its workers. Given a common currency or a fixed exchange-rate system, the transfer is made and both countries have no inflation and no unemployment.

Fixing exchange rates, in the Mundell-Laffer view, would not cure inflation. But it would reduce it by removing the ratcheting effect, and would provide a structure under which the central banks could coordinate their money-creation policies in a way that would control the remaining inflation.

Their proposals for how to fix rates are simple in the economic sense. At least one major country, the U.S. being the best candidate, would have to accept the discipline of primary reserve or asset convertibility, while other currencies were kept convertible into that major intervention currency at fixed rates. Governments would be obligated to sell unlimited quantities of their currency at the floor price, and would borrow whatever reserves would be needed to fight speculative runs.

MULTINATIONAL POLICY REVIEW

The U.S. would manage its money supply using world money growth as a target, keeping this at an appropriate level by compensating for money creation of other central banks. The Mundell-Laffer model assumes that any such system would involve multinational policy review. Governments that needed to borrow foreign exchange from other governments would pay market rates of interest, which would be an important element of discipline in the system.

This system would break down, as other fixed rate systems have in the past, if one of the governments inflated its money supply to the point where it runs out of reserve assets and cannot borrow more. At that point, a government will devalue its currency, hoping to improve its competitiveness vis-a-vis its trading partners. The payment of market interest rates on borrowed reserves is intended to persuade governments that are inflating faster than others that it would be cheaper to get their money growth in line.

The political problem, of course, is to persuade governments to give up the option of inflating their currencies and devaluing. Professors Laffer and Mundell are more optimistic on this score than most observers, simply because their eco-

nomic view tells them this option does not work anyway, and because governments seem to be learning the same thing through experience.

The experience of recent years, after all, has been that inflating currencies does not cure unemployment. Since the days of the Smithsonian agreement, governments seem to be learning that devaluation doesn't help a country's trade position and revaluation doesn't hurt it. Floating exchange rates have certainly coincided with abnormally high inflation.

None of this experience conforms to usual economic models, but it conforms perfectly with the Mundell-Laffer one. And if governments came to believe that the latter model describes their economic problems, their political problems would no longer look so insurmountable.

STATEMENT OF SENATOR ROTH ON GOVERNMENTAL SECRECY

Mr. ERVIN. Mr. President, the Government Operations Subcommittee on Intergovernmental Relations, chaired by Senator MUSKIE, is currently conducting extensive hearings on several bills relating to governmental secrecy.

These hearings were opened on May 22 with a statement by Senator ROTH on behalf of S. 1520, which he and I introduced with the cosponsorship of 20 Senators in April 1973. S. 1520 would establish a National Commission on Executive Secrecy to examine all aspects of the secrecy problem and recommend needed reforms to reduce excessive secrecy in the executive branch.

In view of the broad interest of the Senate in the problem of excessive secrecy, I ask unanimous consent that Senator ROTH's testimony be printed in the RECORD.

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

Mr. Chairman, I appreciate this opportunity to come before the Subcommittee today as a witness to testify on behalf of my bill, S. 1520, to establish a National Commission on Executive Secrecy.

There is an inherent and fundamental contradiction between the principles of democratic government and the practice of governmental secrecy. Secrecy undermines the ability of the electorate to make intelligent and informed decisions about their leaders. It clouds the accountability to the people of all office-holders—whether they hold office by virtue of election or by virtue of appointment to a position in the civil service. The free flow of information between the government and the citizenry and within the government itself is as vital to the health of our democracy as the unrestricted circulation of our blood is the health of our own bodies. James Madison's warning of long ago is often quoted today: "A popular government without popular information or means of acquiring it is but a prologue to a farce or a tragedy or perhaps both."

Yet, Madison, as President, recognized the need for secrecy in certain compelling circumstances. His sensitive diplomatic notes, for example, were written in a code; in fact, not all his correspondence has yet been translated, although I am pleased to note that this is because historians have not yet gotten around to the task—not because the documents are still classified. From the very beginnings of our nation, the Executive branch has practiced some degree of secrecy in military and diplomatic affairs, as indeed was necessary.

We have, therefore, from the earliest days of the Republic a clear recognization that a secure and effective democracy requires the striking of a balance between a national interest in providing information about the workings of the government to the electorate and a national interest in protecting certain information in the interests of defense, foreign policy, and personal privacy.

Today, this balance is dangerously out of kilter. What is intended to be the exception threatens to become the rule. Years of Cold War, characterized by international spying on an unprecedented scale and by an extreme degree of sensitivity in our relations with countries all over the world, has bred an excessive degree of secrecy at all levels of government. Failure by the Congress to give serious attention to the growth of secrecy within the Executive branch has also contributed.

Patrick Henry once said, "To cover with a veil of secrecy the common routine of business is an abomination in the eyes of every intelligent man." Today we indeed have an abomination. Secrecy is not confined to military or foreign policy matters; it infects all our government agencies. The huge bureaucracies, it seems, have become a law unto themselves, a Fourth branch of government, outside the purview of the traditional three branches and the checks and balances among them. I am sure that all in Congress have had their own personal experiences with the reluctance of the bureaucracy to share its secrets. My own experience dates from 1967 and 1968 when, as a freshman Congressman, I began to catalogue all Federal domestic assistance programs and encountered unbelieveable resistance from some agencies, especially the Departments of Agriculture and Health, Education, and Welfare. The Office of Economic Opportunity at first even denied me a copy of their telephone book because it was classified. The information which I sought on HEW programs—such basic data as the purposes of the program, who was eligible to receive benefits, and how much assistance had been made available—was withheld on the grounds that it would be too burdensome for the agency to provide. Experiences such as these make one wonder whether we have a government of, by, and for the people or a government of, by and for the bureaucracy.

Excessive secrecy has generated millions of classified documents and almost a billion pages of classified government records. Massive over-classification has bred contempt for the entire classification system both within the government and also in the media and public at large. The system has become unacceptable on two accounts—it fails to provide accurate information to the public which the public should rightfully have and in some instances it fails to protect information that legitimately needs to be protected.

The most bizarre by-product of excessive governmental secrecy is the now highly developed art of leaking or "leaksmanship." In the byzantine ways of contemporary Washington bureaucracy, leaking is no longer simply a form of ego-gratification for those who want to impress others with their inside knowledge. It has diverse uses, ranging from the innocuous floating of trial balloons to thoroughly dispicable forms of character assassination. Secrecy has made leaking an essential part of the bureaucrat's stock in trade. It puts the public and the victim of the leak in an intolerable position—the public because it cannot corroborate the information which was leaked and the victim because he is trapped in a netherworld where he can neither exonerate himself nor vindicate his position without stooping to using the same weapon which was used against him.

Ours is the problem of restoring the proper balance between secrecy and open government and enforcing this balance. We must certainly remove the veil of secrecy from our "common business' involving only our domestic affairs and we must reduce secrecy in defense and foreign policy matters to its proper proportions. I believe this Subcommittee made a good start in the last session with the Congressional Right to Information Act, and I hope this Act will be adopted in the House. I am also encouraged by the progress made in amending the Freedom of Information Act. But we still lack an objective and overall appraisal of the dimensions of the problem of governmental secrecy.

It was to provide such an overview that I first introduced a bill to establish a National Commission on Executive Secrecy nearly three years ago, less than two weeks after the first revelations of the Pentagon Papers. This Commission would be a temporary one, charged with examining all the facets of executive secrecy and with trying to find a proper balance among differing considerations—the public right to know, the rights of the First Amendment, the need for the efficient operation of government and of Congress, and the requirements of national security. All laws, regulations, executive orders, and practices relating to the protection of information would be examined and recommendations would be made which would, in the words of the bill, "insure the full disclosure of information, consistent with the security of the United States." Senator Ervin and I reintroduced the bill a year ago with the co-sponsorship of 20 Senators.

Why a Commission? I believe that we need a mixed group—some from the Congress, others appointed by the President, at least one representing the media—to sit back, away from the glare of current politics, and examine all the issues related to governmental secrecy in a thoughtful manner. We need collaboration, not confrontation, in trying to find means of restoring the practice of secrecy to its proper proportions and resurrecting the public "right to know." These issues must be examined in their entirety and attention must be given to the interrelationships of various parts of the governmental secrecy problem that we now have before us in separate legislative proposals—proposals to rewrite and codify the classification system, to amend the Freedom of Information Act, to define the scope of the elusive Doctrine of Executive Privilege, and to provide greater access to the workings of the bureaucracy. The Commission could also delve into some of the aspects we have not yet begun to give much attention to, such as the proper disposition of presidential papers and uniform regulations governing the access to such papers.

One of the highest priorities of the Commission must be to define with greater precision the circumstances in which the protection of information is justified. Our approach—the only approach that is consistent with our democracy—should be to carefully limit those instances where protection should be maintained and then insist that all else be available to the public. The burden of proof must be on those who want to maintain confidentiality. Of course, there will always be a large element of discretion and subjective judgment involved in classifying information, and honest men may honestly disagree on any one document, but this problem can be minimized by replacing or refining hackneyed phrases such as "national security" which have become meaningless through overuse.

It has been suggested, for example, that the classification system should be based on "Secret Defense Data." I believe, however, that we must frankly recognize that some information which requires protection is not strictly related to defense. The example of Dr. Kissinger's first visit to China comes readily to mind. Apparently, secrecy was necessary if the trip was going to be made and the contents of the talks also had to be kept confidential if a meaningful dialogue with China were to continue. If the plans

for the trip had been revealed ahead of time or if the contents of the conversations had been revealed shortly afterwards, no "defense secrets" would have been disclosed nor would our "national security" have been harmed. But, it might have meant losing an important opportunity to promote peace and hence the kind of international order most conducive to the operation and survival of a democratic society such as ours. To try to encompass this kind of rationale within the term "Secret Defense Data" would stretch the meaning of that term until it too, like "national security" had lost much of its meaning and force. For this reason, there needs to be careful delineation and definition of the multiple reasons for which information can be protected .

Another problem the Commission would be required to address is the proper enforcement of whatever regulations are adopted. We must see that whatever rationales there are for secrecy cannot be misused, that classification labels cannot be used to hide mismanagement, errors or corruption, that "national security" not be confused with personal security. It has often been pointed out that while there are sanctions—both formal and informal—against underclassifying, there are no genuine sanctions against over-classifying. This has produced a "play it safe" syndrome. Human nature being what it is, it should hardly be wondered that those who classify play it safe by over-classifying.

The Commission is specifically required to study one suggestion for counteracting this problem, that of establishing an independent agency to insure the maximum disclosure of information consistent with national security. Such an agency might make spot-checks of classification and declassification practices within agencies and make recommendations to the Congress and the President for reducing over-classifying or improving the protection of information which genuinely requires classification. In the course of its duties, the Commission would study the recommendations that have been made along this line by Senator Muskie and Congressman Moorhead among others, and it would make specific proposals to the Congress relating to the composition, duties, and powers of such an agency.

In closing, I would like to emphasize the need to move forward with this legislation. It is ironic—and tragic—that in the past three years when excessive secrecy in the executive branch has been so thrust into the limelight a simple bill like this one with the support of 22 members of the Senate has not yet moved beyond the hearings stage. We have a responsibility to act, and I believe the most responsible action we could take at this point would be to establish this National Commission on Executive Secrecy. It is already late in the 93rd Congress. But, if we can move quickly and get this bill adopted, we could have the recommendations of the Committee before us relatively early in the next Congress. And, with the recommendations in hand, I think Congress on the whole will be better prepared to move forward with substantive reform to vindicate the people's right to know.

THE POLITICAL ROLE OF THE MEDIA

Mr. FANNIN. Mr. President, a vigilant and competitive press is one of the cornerstones of our freedom. When vigilance turns to viciousness, and when competitors run in a hunting pack, then the press not only fails the Nation but endangers it.

If our Governments fails in one way or another, the press is quite quick to point out these shortcomings to the American people. If the press itself fails, there is no guarantee of such exposure.

In the past week I have been somewhat reassured, however, to see that some of our leading journalists are openly discussing and questioning the conduct of their colleagues. This is as it should be in a free and competitive situation.

Last Friday, columnist Joseph Alsop had an excellent article concerning the press attack on Secretary of State Kissinger. I ask that this article be printed in the RECORD.

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

THE POLITICAL ROLE OF THE MEDIA

(By Joseph Alsop)

It is a time to stop being mealy-mouthed. If the U.S. government loses the invaluable services of Secretary of State Henry A. Kissinger, the enormous, Watergate-induced self importance of the American press will be to blame.

If the U.S. dollar—your dollar and my dollar—loses a lot of its value on the world markets; and if American foreign policy also joins American economic policy on the dungheap of disorder, you can thank your friendly media.

The plain fact of the matter is that we now have in Washington, not just a double standard, but a triple standard. You have to begin right there to understand the resulting orgies of hypocrisy. And the first part of this triple standard for public judgment of public men concerns the political role of the press, or media.

It is the smarmiest kind of hypocrisy to pretend that the press was not directly responsible for Dr. Kissinger's decision to resign his office unless his name could be promptly and decisively cleared.

On last Thursday, he had just returned from one of the greatest and most exhausting diplomatic feats in rather more than a century. The secretary was being very modest if he merely thought he had "deserved well of the Republic"—in the phrase of old Rome.

His reception was a savage and disgusting press conference, during which he was treated like a common criminal. At one point, one of his interrogators even suggested that he might well be indicted for perjury, and bellowingly inquired whether he had already retained counsel to represent him in case of a perjury indictment. To be sure, only a minority thus disgraced the formerly honorable reporter's trade.

Yet in the subsequent commentaries, the members of this minority were never rebuked by their colleagues. Instead, Dr. Kissinger was rebuked. The climax came on the evening of Monday, when The New York Times hit the streets with and editorial accusing Dr. Kissinger of "dissembling" in tones majestically combining self-righteousness and pecksniffery. Telegraphed to Salzburg the editorial promptly triggered Dr. Kissinger's press conference and resignation statement on Tuesday.

Those are the plain facts. What has happened cannot be comprehended without those facts. Yet this reporter has seen no account of Dr. Kissinger's threat to resign that has set forth the facts either fully or forthrightly. Over all, it seems a mite odd for the major political role of the press to be left out of the accounting, when we have taken to holding out public men so strictly accountable.

This is the first part of the prevailing triple standard in Washington. As to the other part that justifies the word, "triple," it is simple enough. Dr. Kissinger has in fact been accused of "dissembling," and has even heard the word "perjury" hurled at him, because of a crucial national security matter involving less than a score of wiretaps. Under the law, such wiretaps are entirely permissible for national security purposes.

One wonders, then, why it was so shocking for a servant of the Nixon administration to worry about national security to the extent of knowingly approving under a score of wiretaps. After all, national security wiretaps were, very much more numerous in the Truman administration, and they were vastly more numerous in the administration of President Kennedy.

This reporter, with a known three wiretaps to his credit, all pre-Nixon, has long held the doctrine that if you have not been tapped, you have been slacking on your job. As to the Johnson administration, President Johnson sensibly did not trust the late J. Edgar Hoover—so he had the Secret Service do the tapping for him, again on a major scale. In short, the servants of the Nixon administration are plainly being judged by different tests than those that prevailed in happier times.

So we come back to the Watergate-induced self-importance of the American press that was noted at the outset, noting this is not meant to detract for one moment from the great achievement of exposing the crimes and squalors that now go by the name of Watergate.

Yet it seems this success has now led to a new and dangerous situation. Some people have now openly begun to follow the rule: "I'll be judge, I'll be jury," said Cunning Old Fury; "I'll try the whole cause, and condemn you to death."

Meanwhile Sen. J. William Fulbright, who has seen more than mere leaked bits of the total data, is reportedly confident that Dr. Kissinger did not dissemble when he appeared before the Foreign Relations Committee. Furthermore, even with Cunning Old Fury, one supposes that some vague notions of national interest usually prevailed.

MISLEADING THE CONGRESS ABOUT VIETNAM

Mr. CRANSTON. Mr. President, to my great regret, the Senate defeated—by one vote—an amendment to lower the ceiling on military aid to Saigon from $900 million to $750 million.

I have long been aware of the South Vietnamese Government's efforts to influence the American Congress, but I have recently come across some particularly revealing examples.

In an article published in today's Washington Post, Philip A. McCombs writes that in many cases Saigon's military spokesmen announce that a government-held base has been "overrun"—when in actual fact it has simply been abandoned. Furthermore, he reports that the announced release of former legislator Tran Ngoc Chau after 4 years in prison was seen in Saigon a government effort to curry favor in the U.S. Congress. In fact, he states, Mr. Chau may not have been released at all—or only temporary.

Mr. President, the continuous subsidy which feeds dollars to Thieu and his generals also enables many Americans in Saigon to live like kings—at taxpayers' expense. They buy cheap food, employ servants, ride in air-conditioned cars, and live a sheltered and privileged life. An article published in the Washington Star of June 11 lists many more examples of high living in Saigon.

Mr. President, I ask unanimous consent that these two articles be printed in

the RECORD, so that Senators can see for themselves what we are paying for in South Vietnam with money that might better be kept at home.

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

SAIGON ACTIONS SEEN AIMED AT AID BILLS IN CONGRESS

(By Philip A. McCombs)

SAIGON, June 12.—Former legislator Tran Ngoe Chau's "temporary release" after more than four years in prison was seen here as a government effort to curry favor in the U.S. Congress at a time when crucial aid decisions were being made there.

In fact, it is not at all clear that Chau has been released.

His wife and four children in Saigon were allowed to see him in their home for 70 minutes on the night of June 5, according to Vietnamese sources.

But then a police jeep pulled up and Chau was whisked away, not to be seen or heard from since. Neither reporters nor his friends have been allowed to talk with him.

He is reportedly being kept in Camranh City, 200 miles northeast of Saigon—perhaps under house arrest with a relative or in a prison.

Chau was an outspoken leader of the political opposition to President Nguyen Van Thieu at the time of his arrest and imprisonment in February 1970 on charges of having contacted a Communist agent.

The agent, his brother, was a North Vietnamese army intelligence captain. Chau, who favored peace through negotiations with the Communists, was reporting regularly on his contact to U.S. officials, including the Central Intelligence Agency.

Chau was a great favorite with many Americans here, including his old friend John Paul Vann, the flamboyant and controversial official of the pacification program who died in a 1972 helicopter crash in Kontum Province during the last North Vietnamese offensive.

Vietnam officials now concede privately that it was Chau's unauthorized contact with the Americans—not the Communists—that infuriated Thieu and led to Chau's arrest.

Chau's arrest and imprisonment received much attention in the United States, where he has been widely regarded as one of Thieu's most important political prisoners.

To release him at this time, according to Vietnamese sources, when only half of his 10-year term at hard labor has been served, might improve Thieu's image in the United States.

The morning after Chau's 70 minutes with his family, Vietnamese police called newspapers in Saigon and told them Chau had been released, urging them to write articles about it.

Many did. For example, a banner headline in The Saigon Post, the city's English-language daily, proclaimed, "Ex-Deputy Chau Freed After Five-Year Stretch."

That same day, June 6, reporters at a daily press briefing, pressed a government spokesman for details and were told that Chau had been "temporarily released." No further substantial details were provided.

Chau's friends in the legislature and other political observers here now say they do not expect Chau to be released at all—but the government has already benefited from the publicity.

Chau's "release" appears to be one of a number of orchestrated moves made recently by the Thieu government to "create a suitable atmosphere for the aid struggle on Capitol Hill," in the words of one government official.

Other moves include: Thieu's accusations of betrayal by the United States in his impassioned June 6 speech to a national teachers' convention. The president charged that if the United States had been allowed to force its original version of the Paris Agreements on South Vietnam, the country would have gone Communist in six months.

"Upon signing the agreement," he said, "We were unequivocally promised that the Communists would be kept from infiltrating the South and that if they infiltrated, they would meet with a strong reaction. However, all the promises made by our ally . . . have been forgotten."

The speech also contained a plea for continued U.S. aid that Thieu said was promised at the time the Paris agreement was signed.

In another step that should aid Saigon's cause in Washington, the government restored the diplomatic privileges of the Vietcong delegation to the commission charged with implementing a cease-fire.

The restoration, including telephone service and the weekly Vietcong press conference, brought agreement from the Vietcong delegation to renew the cease-fire commission's talks, which had been suspended for more than a month.

The frequent announcement by government military spokesmen of isolated government bases being "overrun" by Communist forces when in fact government troops abandoned the bases and left them to the enemy may also be designed to affect the Vietnam debate in Congress.

Western newsmen have also dutifully reported these "overruns," which carry an implication of special aggression by the Communists, only to learn days later from reliable sources that, in many cases, bases were not overrun at all.

U.S. Ambassador Graham Martin, a leader in the fight for more aid for South Vietnam, has brought increasing pressure on Thieu to "create a suitable atmosphere," sources said.

NEW PEACE PLAN OFFERED BY SAIGON

SAIGON, June 12.—The South Vietnamese government issued a six-point peace proposal today, the eve of the first anniversary of a supplementary cease-fire agreement that has brought no end to the fighting.

The Foreign Ministry issued a communique calling for an immediate end to all cease-fire violations, return of Communist troops to pre-cease-fire lines, withdrawal of North Vietnamese troops and war materiel to the North, relase of civilian and military prisoners, respect for the international truce-supervision force and serious political negotiations.

In Paris last June 13 Secretary of State Henry Kissinger, North Vietnam's Le Duc Tho and representatives of Saigon and the Vietcong signed a joint communique calling for strict observance of the Jan. 28, 1973, cease-fire agreement.

The communique called for an end to fighting within 24 hours. Within 45 days, South Vietnam and the Vietcong were to sign an agreement "on the internal affairs of South Vietnam." Both deadlines passed without result.

On the battlefront, military sources said Communist forces overran a 100-man militia base guarding Highway 1 yesterday 50 miles east of Saigon, cutting off highway traffic to provincial capitals and other cities on the coast.

[From the Washington Star, June 11, 1974]

A GOOD SUBSIDIZED LIFE IN SAIGON

SAIGON.—Americans in Saigon generally can live like kings for only a few dollars a day. The U.S. taxpayer picks up most of the rest of the tab.

The Americans pay no taxes to any government or they receive a special allowance on top of their salaries with which to pay taxes.

Most live well, at the cost to both their poorer cousins at home and the Vietnamese around them.

They buy the world's cheapest luxury goods and line up for imported American food at an American supermarket at cheaper prices than anywhere in the United States.

Should they choose to do so, most Americans can live within an insulated "Little America" in Saigon, seeing Vietnam only through the tinted windows of chauffeured, air-conditioned cars and buses.

Except for their chauffeur, their maids, an occasional secretary and a few government officials whom they advise, Americans may never speak to a Vietnamese.

In short, the Americans in Vietnam are forgotten, but not gone.

The good, subsidized life is available to all Americans in Vietnam, except for a handful of U.S. businessmen running companies directly tied to the Vietnamese economy.

Most of the 6,500 Americans in Vietnam—from the ambassador to the contract worker, from the secretary at the U.S. Agency for International Development building to the press corps—live better than they ever could hope to live at home.

Users of the post office at the U.S. embassy—virtually the entire American community—order items from large U.S. mail order houses to avoid paying South Vietnamese customs.

Airplanes chartered with U.S. tax money fly the packages to Vietnam and clerks paid by the United States sort and distribute mail and packages alike.

Americans in Vietnam can bask beside any of three exclusive U.S. swimming pools. As they listen to an American radio station which is illegal for Vietnamese to tune in, they sip cokes imported from the United States.

Coke is made in Vietnam, but Americans drink American-made Coca Cola.

A dinner of imported Maine lobster served in one of three exclusively American restaurants will cost $7. U.S. beer is 15 cents a can, cigarettes as low as 10 cents a package, top-line Scotch whiskey is $4 a bottle. A tape recorder that sells for $120 in the United States or in a Vietnamese store goes for $55 in Saigon's American department store.

Chauffeur-driven cars and buses are everywhere. They take Americans to the beach and to the three Americans-only movie theaters, where first-run pictures can be seen for between 50 cents and $1.

When the cars and buses run low on gasoline, they pull up at American-only pumps and the drivers fill them up, there is no charge.

If dancing is your pleasure, try one of three Americans-only nightclubs.

When you are tired, head for home. Americans working for official government agencies live in houses and apartments guarded by Chinese mercenaries.

The villas and apartments are cleaned by maids who receive an average of $15 to $20 a month. Many Americans have two or three servants.

WHAT PEACE MEANS TO US

Mr. DOLE. Mr. President, in a recent address to the graduating class of Independence High School, I pointed out some of the things I felt were very much right and good about the America of 1974. In attempting to place some perspectives on today's events and happenings, I offered the suggestion that a United States at peace with the rest of the world was the foremost and overriding thing that is right with our country today—especially in the eyes of the class of 1974.

These thoughts were still in my mind when I read the June 11, 1974 editorial of

the Lawrence Daily Journal-World. It seems that when counting our woes and troubles as so many are doing today, it may be easy or convenient to lose sight of our blessings. But the war which so long lead the list of our national problems has ended, and our young men are no longer dying in Southeast Asia—or anywhere else in the world. And I believe this is a blessing which should not be forgotten by any American.

I feel the Journal-World very clearly stated the meaning of peace to our lives, and I ask unanimous consent that this editorial be printed in the RECORD.

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

ARE WE QUICK TO FORGET?

Warfare is terrible. In modern times, and perhaps from the beginning of history, no one has actually benefited from military combat, except for those who have profited from providing lethal weapons. In the memory of man, no nation has actually "won" a war; every involved nation has lost.

Presently, with the nation hell-bent on removing President Nixon and most of his administration from national leadership for Watergate misdeeds, it might be well to remember that the United States is not now at war and that incipient mass slaughter in other parts of the world has been prevented by his astute leadership. And, while Mr. Kissinger receives much credit for bringing peace to the world, a grateful nation should not forget that the Secretary was selected for his task by Mr. Nixon.

In the months since the last prisoners of war came back from Vietnam, people may have lost some of their abhorrence for warfare. For those who did not lose sons or fathers it is easier to forget, and the general public seems to be less concerned about the tens of thousands of veterans now living whose lives were largely wrecked by the senseless fighting in Asia.

In only 200 years of existence, the United States has had almost 44 million citizens in wartime military service; 29,170,000 veterans are still alive.

Vietnam, supposedly one of our less important involvements, took 9,188,000 into the services and had 97,000 die; 46,000 in combat and 51,000 from other causes.

The Veterans Administration still has 3,266,722 veterans drawing compensation; 1,179,527 widows; 987,803 children; and 192,536 parents of veterans.

When Mr. Nixon leaves the White House it can be hoped his successor can do as well in foreign relations. He couldn't be expected to do better.

EARL C. "SQUIRE" BEHRENS

Mr. CRANSTON. Mr. President, one of this Nation's most distinguished political reporters and a man with a truly unique record in journalism has written "30" on his last story.

Earl C. "Squire" Behrens at the age of 82 and completing more than 50 years of political reporting in California has retired as chief political writer for the San Francisco Chronicle.

Squire Behrens was active to the very last day on the job in his Sacramento office where he covered the legislature, and I am certain that his retirement is only an interlude between other jobs, other assignments and other writing chores.

For Squire Behrens is not about to throw in the towel on life even at the age of 82.

I have known Squire Behrens for the more than 25 years that I have been active in politics in California and, looking back, it is hard for me to believe that when I first met this tough, probing political writer that he already had 25 years of experience in California and national politics.

I know there are many of you here in the Senate who have traveled to California and been interviewed by Squire Behrens or met him at national conventions, governors' conferences or other political gatherings.

The Squire covered them all. And he covered them with the quiet efficiency, honesty and pursuit of the facts that became his trademark in a profession where the truth is often very elusive and the margin for error of judgment very large.

But Squire Behrens covered Democrats, Republicans, American Independents, Socialists, Prohibitionists and any and every other political party and its leaders with the same cool detachment which marked his journalistic integrity.

Not all politicians agreed with everything Squire wrote about them.

But few disagreed with his factual analysis.

Most of the time he was right and his tenure of more than 50 years of writing politics for a very demanding newspaper distinguished by a long record of interest and dedication to public affairs and government speaks for itself.

California political writing will not be quite the same without Squire Behrens.

Nor will the San Francisco Chronicle where his byline appeared over so many important political stories for a half century.

Mr. President, the Sacramento Bee saluted Squire Behrens in an editorial published on June 6.

The Bee expressed the thoughts and feelings of many people who knew the Squire. I ask unanimous consent that the editorial be printed in the RECORD.

To Squire Behrens, from an old friend:

So long, "Squire," we are sorry to see you go. Good luck and good writing.

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

THE "SQUIRE" RETIRES

It's going to take a while for the political world to get used to the idea Earl C. "Squire" Behrens will be missing from press row.

That's where the 82-year-old dean of the State Capitol press corps has sat for more than a half century, reporting on the legislature, state and national campaigns and the doings of government.

Behrens has quietly retired as political editor of the San Fransciso Chronicle and closed off a distinguished career in which he adhered to a credo to "disagree without being disagreeable." He was a sturdy protector of press rights at the Capitol, a gentle but firm man with absolute dedication to his work.

Those who know and respect Squire Behrens wish him all the best in his retirement—but they have a hunch we won't stay idle. He never has.

LITHUANIAN INDEPENDENCE

Mr. FANNIN. Mr. President, on Saturday people around the free world with ties to Lithuania joined in programs to commemorate the glory of this small but proud nation and to protest the continued repression of their homeland.

The Soviet Union invaded Lithuania, Latvia, and Estonia in June 1940 and within a year deported more than 150,000 people from these Baltic nations. In June 1941 Lithuania regained its freedom and independence for a very brief period before being overrun by another oppressor, Nazi Germany.

Since World War II Lithuania has been one of the captive nations struggling under the yoke of Soviet oppression.

The people of the Baltic nations are fiercely independent, and thousands of them have died in fighting for their freedom. Lithuanians point out that their state was formed 721 years ago, and that they are not related ethnically either to Germans or Russians.

Mr. President, colonialism is no longer an acceptable doctrine in the world. It is time for the people of Lithuania to be released from the Communist brand of colonialism.

It is time to end the excessive tariffs that are imposed on gifts sent to relatives and friends residing in the Baltic States.

It is time to replace the current 5-day tourist visa with a more reasonable limit.

It is time to eliminate unreasonable travel restrictions on tourists in Lithuania.

It is time to lower the barriers which prohibit Lithuanians from emigrating to other countries.

Mr. President, in raising these points I am speaking on behalf of myself and the many Lithuanian-Americans who reside within my State.

Most certainly, I welcome a new spirit of détente and congratulate President Nixon on his efforts to assure world peace. At the same time we continue to call for and demand humane conduct on the part of the Soviet Union. We seek only the opportunity for Lithuania, and other captive nations, to be free from oppression.

DISTRIBUTION OF REVENUES FROM MINERAL LEASING ON OUTER CONTINENTAL SHELF

Mr. STEVENS. Mr. President, the Interior and Insular Affairs Committee is presently considering legislation which would correct a long-standing inequity in the disbursement of revenues from mineral leasing on the Outer Continental Shelf.

S. 2389, which I introduced September 7, 1973, would distribute 50 percent of the revenues from Outer Continental Shelf lands to the adjacent coastal State, 25 percent to the other States and 25 percent to the Federal Treasury.

Present law, under which all Outer Continental Shelf revenue goes directly to the U.S. Treasury, places adjacent coastal States under an unfair burden. When oil and gas production or other mineral activity is under way in waters of the Outer Continental Shelf, the adjacent State must furnish governmental services to persons and firms engaged in this off-shore work. Although the States incur substantial expense in providing

these services, they receive no share of the royalties. This is in direct conflict with long-established revenue sharing procedures in effect for royalties received in connection with mineral exploration and production from on-shore public lands.

Mr. President, it is high time this unfair situation is corrected. Outer Continental Shelf oil and gas leasing will increase dramatically in the next few years as this country strives to become self-sufficient in energy production. If the States off whose shores this leasing takes place are to provide governmental services essential to the people and industries engaged in the work, they must have a share of the revenue derived from it.

An editorial printed in the Anchorage Daily Times on June 12 discusses this issue in detail, especially as it relates to impending expansion of offshore oil and gas production in the Gulf of Alaska.

I urge the Congress to recognize the urgency of this matter and to act as quickly as possible to complete work on S. 2389.

I ask unanimous consent that the Anchorage Daily Times editorial of June 12, 1974, be printed in the RECORD following my remarks.

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

SHARING OFFSHORE DOLLARS

As interest mounts in federal offshore leasing of petroleum tracts in the Gulf of Alaska, pressure also should increase on the Congress to correct an obvious flaw in the way revenues from such leases are handled.

Unfortunately, the desire for a summer recess plus the embroilment in the Watergate affair threaten to give a low congressional priority to what Sen. Ted Stevens, Gov. William A. Egan and many others have cited as an urgent problem facing all states where offshore drilling activity is either in progress or contemplated.

The problem is simple to explain.

All money accrued from petroleum or mineral leases on offshore public lands—be it in the form of bonuses royalties or leasing fees—goes directly into the federal treasury. None goes to the adjacent states which must support the offshore activity through increased public services for schools, police protection, park and recreational expansions, sewers and all the other attendant needs of population booms.

This is in direct contrast to what happens to revenues derived from onshore drilling activities on public lands. The discrimination is substantial. The solution to it is not the elimination of revenue-sharing by states affected by onshore drilling, but rather by extension of the concept to offshore revenues.

As things now stand, the Mineral Leasing Act of 1920 grants states 37.5 per cent of revenues from public lands within their borders in compensation for their support of public facilities. To use a term now current in Alaska, the money offsets the "impact" of exploration and production activity. Alaska already benefits greatly from this onshore assistance.

But unless there is a change in the law, the vast impact of offshore operations in the Gulf of Alaska will hit the state—and coastal communities which become support centers for the operations—with a severe blow.

Gov. Egan has called repeatedly for an amendment of the federal law to correct this situation. Sen. Stevens, another strong advocate of granting the states a share of offshore operations, is the sponsor of one of four bills dealing with this situation now pending in the Senate.

George W. Healy Jr., retired editor of the New Orleans Times-Picayune and a leading national spokesman on the subject, has pointed out how this discrimination has hit home in his state:

". . . It costs the State of Louisiana considerably more to provide governmental services for people whose work is involved in operations three miles beyond our coast than the state receives in taxes as a result of these operations. We collect no severance tax on oil and gas produced three miles off our coast, although the severance tax is the mainstay of Louisiana education financing. We do not collect even sales tax on goods and materials used or consumed on the offshore rigs."

This same situation will develop in Alaska unless the law is changed.

THOUGHTS ABOUT FIGHTING INFLATION

Mr. DOLE. Mr. President, with inflation clearly the leading concern of the American people today, many cures and remedies have been suggested.

Curiously, some would contend that the way to fight inflation is to increase Federal spending and expand many Government programs. But I believe the majority of our people are thoroughly convinced that this very outflow of Uncle Sam's capital is the root cause of the inflation problem.

I agree with this view and believe that the elimination of unnecessary and wasteful Federal spending—along with a balanced budget—is the only way a sound and stable economic climate can be achieved.

I was interested, therefore, in the June 10 comment of the Salina, Kans. Journal. In an editorial entitled "Cure for Inflation" the Journal set forth several sound ideas about the necessity of a strong "home base" in our domestic economy which I believe are shared by millions of Americans today. These thoughts merit widespread consideration in the Senate as work on the appropriations bills for the coming fiscal year approaches, and I ask unanimous consent that this editorial be printed in the RECORD.

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

CURE FOR INFLATION

Inflation and interest rates are greater national problems today than Watergate. They can lead to an economy wrecking blowup.

Congress can do something about them. Here's how:

Two of the inflationary federal programs are foreign aid and military procurement. In some ways, they are tied together.

Both spend money the U.S. Treasury does not have. That creates debt and rubber dollars. The Treasury must borrow at higher and higher interest rates. That boosts inflation and bank rates.

Although some of this spending comes back in the form of wages and profits to American labor and industry, little that it produces is useful. Not much is made that we can wear, eat, drink, drive or fiddle. Too much is designed to go boom.

The wages and profits step up consumer demand but do not increase the goods that consumers want. Excess of demand over supply is a classic cause of inflation.

To the extent that it produces only paper work, any governmental spending is inflationary. But foreign aid and military spending are special and excessive examples.

But isn't national security involved? Shouldn't we be able to blow up the Russians faster than they blow us up? Shouldn't we fulfill those secret commitments to the crooks in South Vietnam?

On the contrary, if our role as a superpower and sugar daddy to the world is to result in bankruptcy and bread riots at home, is it worth the price?

Furthermore, we can undo all our do-goodism by leading the world into depression. It already is heading there and our own inflation is one cause.

If Congress cut out at least part of this spending, shrunk the appropriations for aid and for airplanes that don't fly, ships that don't float and generals that don't fight, what more could it do? More than reducing the federal debt?

Among our greatest shortages are those in energy and housing.

Some of the billions saved could be turned to low-interest loans for home construction and utility improvements. Ample precedent and methodology exist for both type of loans.

Why bail out the public utilities? To meet increasing energy demands they must make capital expansions financed today at an enormous cost. Publicly regulated, they can and do secure approval of rates that pass these excessive finance charges on to the consumer. Low interest loans to utilities could cut consumer bills.

Stimulation of housing and utility development also would tend to compensate for any reduction in employment caused by a shutdown in military hardware. Skills required to make turbines and guns are not dissimilar.

Turning swords into plowshares may not appeal to a Pentagon-fed Congress. Reduction of aid may not fit Mr. Nixon's dreams of world power.

However, the prime essential of any military or diplomatic program is a strong home base. And our home base now is grievously threatened.

If these notions make sense, tell Jim Pearson, Bob Dole and Keith Sebelius.

THE LOCKHEED-TEXTRON REFINANCING PLAN

Mr. CRANSTON. Mr. President, I would like to call my colleagues' attention to a matter which might have escaped their notice in the press.

For many months, rumors have circulated that Lockheed Aircraft Corp. was once again in serious financial difficulty and would soon come to the Government for another bailout. Apparently that will not be the case. On June 3, Lockheed announced a tentative plan to refinance its long-term debts. The plan would bring $100 million of new equity to Lockheed, financed largely by the purchase of 12 million new common shares of Lockheed by Textron, Inc.

On the surface, it looks to me as though the plan would bring needed new capital to Lockheed job security to thousands of employees at Lockheed and its major suppliers and subcontractors, and perhaps an end to the need for the Government's $250 million loan guarantee, in effect since 1971.

The plan is subject to the approval of Lockheed's banks and other creditors and the shareholders and directors of both Lockheed and Textron. If these

groups find after careful study that the plan is as advantageous for all concerned as it seems to me on the basis of a superficial review, I trust they will approve it.

Mr. President, I ask unanimous consent that the press release issued by Lockheed Corp. to explain the arrangement, be printed in the RECORD.

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

LOCKHEED, TEXTRON DIRECTORS APPROVE TENTATIVE PLAN FOR RESTRUCTURING LOCKHEED DEBT

BURBANK, CALIF., June 3.—Daniel J. Haughton, Chairman of the Board of Lockheed Aircraft Corporation, and G. William Miller, Chairman of the Board of Textron Inc., jointly announced today that their respective Boards of Directors have approved a tentative plan which would include an equity investment by Textron in Lockheed and a restructuring of Lockheed's debt. Mr. Miller indicated that Textron has held talks concerning the plan with Lazard Freres & Co., Lockheed's financial advisor, and also with some of the Lockheed lending banks.

The plan contemplates a new equity investment in Lockheed of $100 million, of which Textron would provide $85 million by acquiring 12 million new common shares of Lockheed at $5 per share and $25 million of a new Lockheed preferred stock. The remaining $15 million would be provided by a rights offering of 3 million new Lockheed common shares to Lockheed shareholders at $5 per share to be underwritten by Lazard. After the purchase of 12 milion shares of Lockheed common stock, Textron would own about 45% of the approximately 26.4 million Lockheed common shares then outstanding.

It will be a condition of the plan that the Lockheed lending banks convert $275 million of the present $620 million Lockheed bank debt into the new Lockheed preferred stock, and confirm a bank credit to Lockheed of $375 million.

In addition to the infusion of new equity, the plan would result in a significant reduction of Lockheed's debt service costs and would improve cash flow during the next several years.

Under the plan, Lockheed would continue as a separate corporation, with the benefit of the new financial support provided by the lending banks, Textron and Lockheed shareholders. The stock of Lockheed acquired by Textron would be held for investment, and there would not be a merger or consolidation of the two companies. Textron operations would not be affected in any way.

Except for Mr. Miller becoming chairman and chief executive officer of Lockheed after the proposed recapitalization is finalized, at which time Mr. Haughton will become vice chairman, no other changes in the management of Lockheed are contemplated. Mr. Miller will continue as chairman and chief executive officer of Textron.

Textron is a diversified company with total assets of $1.3 billion, and with 1973 sales of $1.9 billion and net income after taxes of $100.5 million.

One of the primary purposes of the plan is to give additional support to Lockheed's TriStar L-1011 commercial air transport program. The TriStar is an important part of the air fleet of many major airlines around the world. In order for the plan to become effective, it would be a condition that sufficient airline second buy options be converted into firm orders, or new orders be obtained, to bring the TriStar program to a total of 180 firm production commitments including the 74 airplanes already delivered. Cumulative orders to date total 202, including 135 firm orders and 67 second buy options. It is contemplated that the TriStar program will run to at least 300 aircraft over its entire lifetime, extending well into the next decade.

Under the proposed plan Lockheed would undertake to adopt a change in accounting policy by writing off certain non-recurring costs related to the TriStar program. These non-recurring costs have already been expended and are currently being amortized by Lockheeed over the planned 300 airplane program. It is estimated that under the amended accounting policy, the write-off which would be charged to Lockheed's income in 1974 as a condition to and before the plan becomes effective would amount to approximately $300 million net after providing for the anticipated related tax benefits. It is anticipated that in future years the TriStar program would operate near a breakeven after all charges. With continuation of Lockheed's other substantial and profitable programs, this would permit Lockheed to return to greater profitability.

Lockheed's operations include Lockheed Missiles and Space, located in Sunnyvale, California, which produces fleet submarine ballistic missiles such as the Poseidon, satellite space vehicles and other research and development projects; Lockheed-California, with plants in Burbank and Palmdale, which in addition to producing the TriStar L-1011, designs and manufactures military aircraft such as the P-3C Orion and the S-3A Viking; Lockheed-Georgia, located in Marietta, which designs and builds large military and commercial airlift and cargo aircraft such as the C-130 Hercules; Lockheed Aircraft Service, with headquarters in Ontario, California, which is the nation's oldest and largest aircraft maintenance and modification firm with operating branches around the world; and a number of other divisions.

The plan is intended to assure availability of sufficient capital so that these Lockheed operations will not be restricted by lack of adequate financial resources. Many Lockheed programs are essential to national security and represent some of the most advanced technology in the world.

The suggested plan contemplates release, on terms satisfactory to the parties, of the U.S. Government loan guarantee for Lockheed which was approved by Congress in 1971. The proposed support from private banks and private industry should assure continued vitality of Lockheed as a unique and vital American enterprise.

With the restructuring of debt, it is expected that Lockheed would be able to generate sufficient cash over the next few years to make substantial reduction in its senior securities and maintain itself on a sound financial basis.

The preliminary plan, if accepted and implemented, would be subject to approval by Lockheed's banks and other creditors and by Lockheed and Textron directors and shareholders. It would also be subject to several other conditions, including agreement by Rolls-Royce as engine supplier to continue its support of the TriStar L-1011 program, and approval of various U.S. Government agencies.

It is expected that closing would occur by 30 November 1974.

THE CARACAS LAW OF THE SEA CONFERENCE

Mr. FANNIN. Mr. President, on the 20th of June this year, representatives of more than a hundred nations will gather in Caracas, Venezuela, under the auspices of the United Nations for a Law of the Sea Conference. One of the most important items of the agenda will be the formulation of guidelines clearing the way for exploitation of the mineral resources of the deep seabed before we are faced with a mineral crisis as serious as the energy crisis now upon us. The nature of the mineral problem, the extent of the deep sea resources available with our present advanced technology, the salient points of the very fair American position at Caracas and the alternatives open to us are set forth with great clarity in a carefully researched article entitled "The World's Greatest Strip Mine" which appears in the February issue of the Navy League's Sea Power magazine. I cannot overemphasize the importance of the subject dealt with in this article which I would like to share with my colleagues and with readers of the CONGRESSIONAL RECORD. Mr. President, I ask unanimous consent that the aforementioned article be printed in the RECORD.

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

THE WORLD'S GREATEST STRIP MINE—A TRILLION-TON GOLCONDA OF LAND-SCARCE METALS IN THE DEPTHS OF THE SEA

(By Merle Macbain)

Merle Macbain is a retired Navy commander and a former public affairs officer on the staff of the Oceanographer of the Navy.

"The real extent of our dependence on mineral resources places in jeopardy not merely our affluence but world civilization."

This is the chilling conclusion of the authors of a new and definitive assessment of American mineral resources commissioned by the U.S. Geological Survey. The 722-page report—which bears the challenging title "Professional Paper 820"—has received only passing mention in the daily press, however.

The subject had better not be dropped there, and if some of the bolder American mining tycoons have their way it won't. But the most likely solution to a large part of the "mineral crisis" poses some staggering problems, the least of which are technical.

Some of the relevant facts are undisputed. The United States, rapidly becoming if not already a have not nation, is now importing, in whole or in part, 69 of the 72 raw materials vital to the present high American standard of civilization. This is on the authority of Helen Delich Bentley, the salty and indefatigable chairman of the Federal Maritime Commission, who points out that virtually all raw materials imported must come in by ship.

Four of the most essential of Mrs. Bentley's list of 69 vital raw material imports are manganese, nickel, copper and cobalt, and for various reasons deserve special attention.

Manganese—the fifth most widely used metal in the world. This ferroalloy serves as a scavenger in extracting impurities in the manufacture of steel and in turn alloys with steel to make it durable and tough. When a nation can do without steel it can do without manganese. But the United States, which definitely cannot do without steel, produces no, repeat no, manganese of metallurgical quality. In 1970, the latest year for which Department of Interior figures are available for all four metals cited, the United States imported, at a cost of $66 million, 85.7 per cent of all the grades of manganese it consumed.

Nickel—a necessary alloy in the production of stainless steel. Large amounts are required for a variety of high temperature and electrical resistance alloys and smaller amounts for such items as coins and nickel cadmium batteries. In 1970 the United States imported 100 per cent of its high-grade nickel consumption, mostly from Canada, at a cost of $426.5 million.

Copper—second only to iron in the amount and variety of its uses. The United States currently, and fortunately, produces the vast bulk of its requirements. The problem here is the approaching exhaustion of high grade U.S. ores. In 1970 the United States imported 6 per cent of its primary consumption, at a cost of $71 million.

Cobalt—most important for the manufacture of permanent magnets. Without it there would be no modern communications systems. It is also used in guided missiles, jet aircraft engines, gas turbines and high speed tool steels. Cobalt ores, for which no substitute has been found, are produced principally in Zaire, Zambia and Morocco. In 1970 the United States imported 92 per cent of its cobalt needs, at a cost of $26.5 million.

A BILLION FOR FOUR

It seems fair to assume that, with the devaluation of the dollar (coming back up again, however) and the steady increases in consumption which have occurred, the cost for imports of these four metals alone may be well over a billion dollars in 1974—not a large bite of the U.S. national budget perhaps, but a sizable factor in the balance of payments.

As the energy crisis should have taught U.S. decisionmakers, the important thing is not only the cost but the fact that U.S. national security and the welfare of the American people require absolute assurance of an uninterrupted source of supply of raw materials essential to the economy.

It is reassuring to realize, therefore, that unlimited quantities of the four minerals here singled out are available to American miners within three to four miles of cheap and efficient transportation. The location is at the bottom of the ocean, the transportation is by ship, and the three to four miles is straight down.

All four metals, together with minor or trace amounts of some 25 others, are found in the manganese nodules that strew the bottom of every ocean and even such large freshwater bodies as the Great Lakes. The average nodule is one to three inches thick. The best commercial specimens lie in great carpets on the Pacific floor in a wide band running south of Hawaii from mid-ocean to near the southern California coast.

Credit for discovery of the nodules belongs to the scientists who made the historic globe-girdling three-year oceanographic voyage of the converted British corvette HMS Challenger in the 1870s. These first specimens of the world's greatest treasure were tucked away in the British Museum and for a time forgotten. About the size and color of an over-done meatball, they were easy to forget. And, since they are found at depths of 12,000 to 20,000 feet, they could not then have been reclaimed in quantity, even if they had been blue-white diamonds.

There are several theories explaining the origin of the nodules. A favorite one suggests that metallic elements in sea water form around any small nucleus, perhaps a bit of sea shell, much as the pearl in an oyster shapes itself around a grain of sand. Manganese nodules are half buried in the mud, and coverage of the bottom in the huge area of known major deposits ranges from zero to 50 percent. A workable mine site would average 30 to 35 percent coverage, with a concentration of about two pounds per square foot. Educated guesses place the quantity in the Pacific alone at somewhere between one and two trillion tons. The growth rate is estimated at 15 million tons a year, making the lode the only perpetually self-renewing treasure since Aladdin lost his lamp.

Mineable nodules are 35 percent or more manganese, from 1 to 1.6 percent nickel, .75 to 1.5 percent copper, .2 to .3 percent cobalt and .05 percent molybdenum.

SCOOPING UP THE MEATBALLS

Getting the nodules to the surface and into the holds of a mother ship is an awesome engineering feat. And there is no precedent in land mining operations for the problems involved in processing the raw nodules in which the recoverable minerals are distributed atom by atom throughout the ore. Some ten years of quiet but expensive experimentation by several companies and syndicates appear to have resulted in workable solutions to the engineering problems.

American companies favor some type of vacuum dredging, for the most part. In the continuous-path method a dredge head suspended by a conduit from the ship is swept back and forth over the mine site, sucking up nodules as it goes. Fixed-area dredging involves a collecting device, such as a sunken barge, which remains stationary until the ore lying within its sweeping radius has been collected.

The second method, a Japanese invention, employs an endless rope to which dredging buckets are attached at intervals. The ship moves sidewise as the revolving loop of dredge buckets is dragged across the bottom, scooping up the ore. By whatever method, the prospecting phase alone can cost from $2,000 to $4,000 a day, and considerably more for full production operations.

Several carefully unpublicized methods for winnowing the metals also have been tested. All successful ones are believed to involve hydrometallurgical techniques with sufficient flexibility to accommodate the varying character of the ore.

Most authorities agree that the United States has a technological lead both in the systems developed for nodule retrieval at great depths and in the metallurgical processes for reclaiming the ores. This lead, say spokesmen for the American companies involved, is a fragile one, however, and will be lost to aggressive foreign competition if not promptly pursued. Japanese, West German, and French interests are the most advanced competitors. Russian capabilities, as usual, are not fully known.

A dozen American companies have already shown enough interest to invest substantial research effort and seed money. There are three leaders: (1) Deepsea Ventures, a subsidiary of the Tenneco conglomerate, is believed to have invested well over $10 million in sea mining programs since a go-ahead decision in 1968—following years of earlier investigative work. The DV ship Prospector has sampled a number of potential mine sites in the Pacific and in the course of more than 30 cruises has brought back tons of nodules to the company's pilot processing plant at Gloucester Point, Va. (2) The Kennecott Copper Corporation has logged the recovery of samples from more than 3,000 Pacific sites and brought back some 250 tons for experimental processing in the company's San Diego laboratory. (3) The Summa Corporation, solely owned by billionaire Howard Hughes, has an estimated $60 million already invested and another $200 million committed to a system designed to sweep up 5,000 tons of nodules a day. The company is ready to commence operations with the 36,000-ton Hughes Glomar Explorer, built to order by the Sun Shipbuilding and Dry Dock Co. The sophisticated Hughes system includes a 324-foot submersible barge designed to carry a huge dredge head to the ocean bottom to scoop up nodules and send them by compressed air up a 16-inch pipe to the ship. Nothing is known of the company's processing facilities.

Leigh S. Ratiner, Director for Ocean Resources, Department of the Interior, makes some assumptions and predictions which indicate the important role ocean mining can be expected to play in the metals market.

Taking 1975 as a target year, he assumes that mineral content of the nodules is approximately as estimated in the above (industry) figures, that there would be two companies processing three million tons per year and one company processing one million tons per year. He further assumes that all would be extracting close to 100 percent of the reclaimable metals. Nickel production, which he regards as the key factor, would then fill 4.8 percent of U.S. primary nickel demand and amount to 53 percent of projected imports. Manganese from the sea would fill 12 percent of both demand and imports. Copper would come to 3 percent of estimated demand, 41 percent of imports. The sea-produced by-product of cobalt, if all of it were extracted, would be significantly in excess of both demand and imports.

DON'T HOLD YOUR BREATH

Ratiner, who speaks authoritatively for the executive branch of the government, adds, significantly, that 1975 is *not* the date to expect deep sea mining of such magnitude to occur.

What, then, is the date? Soon? Ever?

The nodules lie deep on a near lifeless (and therefore incorruptible) sea bed far outside the widest and wildest claims of territorial jurisdiction—even beyond the reach of the Geneva Convention rules for exploitation of the continental shelf.

Since U.S. firms know where the marketable nodules are and have a pretty good handle on the technology required to retrieve and process them, what are they waiting for? They are waiting, say the impatient miners, for the United States government to spell out protective guidelines enabling them to stake out claims large enough and for a tenure long enough to make possible a fair return on the huge investment required.

But the United States government, says the more patient State Department, is itself waiting for a set of internationally acceptable guidelines, preferably under the ægis of the United Nations.

Which brings up the U.N.'s "Law of the Sea Conference" scheduled for this summer in Caracas, Venezuela. There the collision courses of the "have" and "have not" nations will converge, and they will hopefully hammer out the framework, at least, for the first truly global code of sea law since Hugo Grotius, the 17th century Dutch lawyer, fabricated the historic legal brief which led to the "cannon-shot" rule for territorial waters and the philosophic-legal concept of *Mare Liberum*, or Freedom of the Seas.

COUNTDOWN TO CARACAS

Also on the agenda at Caracas, in addition to exploration of sea bed minerals, are use of the sea bed for active and passive military purposes, world fishing rights, limitations on air overflights, commercial shipping, naval operations, oceanographic research, marine pollution and the jurisdiction of coastal states over adjacent waters. Probably the best that can be hoped for in any of these numerous controversial areas is an all-nation agreement or a series of area agreements equally distasteful to all concerned.

There are few matters in which amicable agreement will come easy, if at all. The highly charged question of coastal state jurisdiction over adjacent waters provides possibly the best example.

Various national positions range from the tenacious U.S. stand for the traditional three-mile limit to the insistence by Latin American states fronting the Pacific on a 200-mile limit that the conference provide them economically important fishing monopolies in offshore currents.

There is more involved here than fish, of course. Most states now appear to favor, and many insist on, a twelve-mile territorial zone. But even that small increase would bar free access, via Gibraltar, to the Mediter-

ranean for the United States and to the Atlantic for Russia. And Japan would lose access through the straits of Malacca, vital to her fuel imports, from the Persian Gulf. Many other important straits would be affected.

It is no secret that the United States is prepared, however, to accept extension of territorial limits out to 12 miles, provided there are specific exemptions made to guarantee continual rights of free passage through narrow waterways of strategic importance to U.S. military security and vital commercial interests.

The United States will probably also agree to even broader "layered" zones in which coastal states would exercise varying degrees of control over fishing, mining, pollution, exploration and treasure hunting—but would not have the right to impede unrestricted passage by ship. It is conceivable, then, that the High Seas with all of its traditional freedoms for just about everything short of piracy will move from three miles out to 200 miles from the continental shores.

SEA BED WAR IN CONGRESS

American miners are concerned about how their interests will fare in the trade-offs that probably will have to take place in the smoke-filled committee rooms at Caracas if agreements are to be reached. To strengthen their own bargaining position, and as a hedge against possible prolonged postponement or outright failure of the Caracas Conference, the influential American Mining Congress is pushing a legislative program of its own in the form of two identical bills: H.R. 9—sponsored in the House by Representative Thomas N. Downing (D-Va.), chairman of the House Oceanographic Subcommittee—and S. 1134—introduced for consideration in the Senate by Senator Lee Metcalf (D-Mont.) Chairman of the Subcommittee on Minerals, Materials and Fuels.

The Dorn/Metcalf legislation would authorize the Secretary of the Interior to issue exclusive licenses to American citizens and corporations to stripmine the ocean floor for hard metals in blocked-out areas as large as 40,000 square kilometers (about the size of West Virginia, but to be reduced by 75 per cent for actual commercial operations) and to conduct in-depth mining in much smaller areas. Claims sponsored by "reciprocating states" with comparable legislation would also be recognized.

To maintain his claim a licensee would be required to invest substantial development funds on an ascending scale, to maintain continuous commercial recovery once started, to protect the integrity of his working environment, to avoid interference with other ocean users, and to agree to arbitration of disputes. The licensee's investment would be protected by government-administered but miner-financed insurance against outside interference and miners would be reimbursed by the government for any loss due to international regulations agreed to by the United States which would be less favorable than the rights granted under the law.

There have been extensive hearings on the bills by both committees. Senator Metcalf, a former judge who believes in hearing all sides of a case, has taken exhaustive testimony from miners, scientists, environmentalists, State and Interior Department officials, and spokesmen for that potent new force in American life, groups of "Concerned Citizens."

Congressman Bob Wilson of San Diego, a leading legislative authority on oceanography, is also sponsoring legislation aimed at promoting an immediate climate favorable to deep sea mining on a commercial scale.

Such informed authorities as Ambassador John R. Stevenson, special representative of the President for the Law of the Sea Conference, and Charles N. Brower, Acting Chairman of the Inter-Agency Task Force on the Law of the Sea, believe the United States is morally bound to foreign unilateral legislation as long as there is a reasonable expectation of a "timely and successful" international agreement. "Timely and successful" means agreed-upon rules no later than summer 1975. They emphasized in their testimony that the United States continues to adhere to President Nixon's position that it is neither necessary nor desirable to halt exploration and exploitation of the sea beds during the negotiating process, provided such activities are subject to the international rules to be agreed upon, which rules should include due protection of the integrity of investment made in the interim period.

Less temperate testimony from private groups has characterized the proposed legislation as a miner's land grab which would create a new arena for clashing jurisdictions out of the last truly international area on earth.

The most vociferous opponents of independent national or private industry initiatives are the members, perhaps 75 or more, of an informal bloc of developing nations in Asia, Africa and South America who favor an all-powerful international authority to direct all deep sea mining and apportion the income derived from it. This bloc has rallied under a banner which proclaims the deep sea as "the common heritage of mankind." This handsome piece of rhetoric is certain to haunt the halls and resound from the rostrums at Caracas.

Meanwhile, the miners wait, spending additional sums for exploration and experimentation until they can secure the protection, national or international, they must have to induce bankers and private investors to help provide the capital—as much as $250 million for a one-unit operation—to go into commercial production. Some, with little faith in the Law of the Sea Conference, privately express the hope that the enigmatic billionaire, seemingly independent of outside capital and restraints, will press straight on and that international law will then take shape around a *fait accompli* as it so often has in the past.

Most miners as well as many legislators and leading oceanographers simply hope for reasonably prompt action, national or international, that will make it possible to put U.S. technology to work on a commercially significant scale. They believe that a law could be enacted by Congress flexible enough to provide the necessary security for investment capital now and to be fitted into any all-nations agreement that might come later.

If a mineral crisis as serious as the energy crisis already here is to be avoided, say proponents of the current legislation, there can be neither weakness of will nor meanness of spirit. The United States can afford to be generous in cooperation with any international sea-mining body of the future, because there are minerals enough in the ocean for all. What the country cannot afford is to let the opportunity to secure its own future slip away.

If responsible private industry gets the regulated backing it needs, metals from the deep sea bed will follow the fishing and underwater oil industries as the third great source of ocean wealth, and may some day, in fact, become number one.

Mr. FANNIN. Mr. President, members of the Senate Interior Committee have been following the efforts conducted by the U.N. Seabed Committee leading up to the Caracas conference. We have approached this subject in a purely bipartisan manner by making our views known to the administration on the issues relevant to our committee's jurisdiction. As part of this effort we have most recently transmitted to the Secretary of State a letter reflecting the views of this committee on two important issues that will be considered by the conferees at the Caracas meeting. One relates to the seaward limits of the Continental Shelf and the other pertains to the regime for mining the deep ocean floor beyond the limits of the Continental Shelf. These views are definitively set forth in the letter which I ask unanimous consent be printed in the RECORD at this point.

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

U.S. SENATE,
COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS,
Washington, D.C., June 7, 1974.

Hon. HENRY A. KISSINGER,
Secretary of State,
Washington, D.C.

DEAR MR. SECRETARY: As you know, a conference will convene in Caracas on June 20th to attempt to negotiate a treaty or treaties resolving international problems affecting the law of the sea.

The Senate Committee on Interior and Insular Affairs has been following these negotiations closely since the inception of the United Nations Seabed Committee in 1967. Since that time, on a continuing bipartisan basis, members have participated in a special subcommittee chaired by Senator Metcalf. They have sent representatives to nearly every session of the United Nations Seabed Committee. Additionally, the Committee has held several hearings related both to proposed ocean mining legislation and to developments which have taken place at the various preparatory sessions conducted by the Seabed Committee. We have also met with the United States delegation to the Seabed Committee, usually prior to departure and subsequent to its return from these sessions.

Although several issues will be considered at the Caracas conference, this Committee has confined its attention principally to matters affecting the development of mineral and fuel resources. Our principal concern has been directed to the following two issues:

The limits of coastal state jurisdiction over resources of the seabed adjacent to and beyond the territorial sea and the nature and the limitations of coastal state jurisdiction and authority in such areas.

The rights of individual countries and their nationals to explore and develop the natural resources of the seabed beyond the limits of national jurisdiction, the rules and conditions and institutions which might govern such exploration and development, and the distribution of benefits resulting therefrom.

Members of the Committee have frequently made known their views about the policies the United States should adopt regarding each of these issues. With regard to the former, members of the special subcommittee, in their report of December 21, 1970, expressed the following conclusion:

. . . we adopt the view of the American Branch of the International Law Association regarding the seaward limits of the Continental Shelf. That position is not only consistent with the wisest of policy preferences, but more importantly soundly interprets the present law. It holds that "rights under the 1958 Geneva Convention on the Continental Shelf extend to the limit of exploitability existing at any given time within an ultimate limit of adjacency which would encompass the entire continental margin."

We interpret the meaning of the term "continental margin" to include the continental shelf, slope and rise. We understand that a growing number of countries support the principle that coastal state jurisdiction over natural resources of the seabed adjacent to its coast should be limited to that area

contained within that part of the seabed which is bounded by a line parallel to and 200 miles distant from the base line from which the territorial sea is measured. We understand that within some executive branch agencies there is support for such a position. We would like to state our strong preference for the view which would allocate to coastal states areas of the seabed adjacent to their coasts which extend seaward 200 miles and, in addition, all portions of the continental margin which extend beyond 200 miles. We have present rights under international law to this area.

As you know, there are several areas of the United States continental margin which extend beyond 200 miles. Because of the nation's critical energy problems, including our increasing dependence on imported oil, the United States should not forfeit any portion of the continental margin which could be utilized for mineral production, and more particularly, for production of oil and gas. The United States has rights to all natural resources of our continental margin, no matter how far seawardly it extends. We should not jeopardize these rights at Caracas.

Regarding the issue of the regime for the deep seabed, various options have been considered in preparing for the Law of the Sea Conference. Many developing nations have expressed a preference for the establishment of an international seabed mining organization, frequently referred to as "The Enterprise." It would have exclusive authority to explore and develop the resources of the seabed beyond the limits of exclusive coastal state jurisdiction. Through control of "The Enterprise," the developing countries could deny effective commercial access by the technologically advanced states to the natural resources of the seabed lying beyond the limits of exclusive coastal state jurisdiction.

Many developed nations, including the United States, have favored preserving as best they can the existing high seas freedom including, but not limited to, the freedom to conduct scientific research on the high seas and to mine the minerals of the ocean floor beyond the limits of exclusive coastal state jurisdiction. These nations have not opposed the creation of an international organization to administer the exploration and development of seabed resources lying beyond the limits of exclusive coastal state jurisdiction, but they have indicated the preference that such an international organization neither conduct such exploration and development of the mineral resources of the deep ocean floor, nor control production thereof. They have tended to take the view that we should neither restrict opportunities for exploration and development of the deep ocean floor by developing countries, nor object to paying a portion of the value of the mineral production on the ocean floor to an international organization, for the use and benefit of developing countries. Also they have continually expressed a preference for some sort of equitable licensing system which an international organization would have the authority to administer on a ministerial, rather than discretionary, basis. In other words, once an applicant state met the relevant standards, it would automatically be eligible to receive a license from the international authority.

The principal commodity to be mined on the deep ocean floor would be manganese nodules which are rich in copper, nickel, cobalt and manganese. There is a growing reluctance of mineral exporting countries to make these minerals available to the United States on a secure and continuing basis. Our heavy dependence on imports of such minerals places us in a vulnerable position. Specifically, the United States dependency on imports of such minerals is as follows: manganese, 97%; nickel, 74%; cobalt 98%; and copper, 18%.

In light of this dependency, we feel that it is vital to the national interest that the United States companies retain their current right of access to mine nodules lying on the deep seabed under terms and conditions conducive to making the investments necessary for their development. We believe this objective should be vigorously pursued at Caracas.

The Committee will follow the proceedings at Caracas with great interest, and will look forward to meeting with the members of the delegation upon their return.

Sincerely yours,

HENRY M. JACKSON,
ALAN BIBLE,
PAUL FANNIN,
CLIFFORD P. HANSEN,
JAMES L. BUCKLEY,
JAMES A. MCCLURE,
DEWEY F. BARTLETT,
U.S. Senators.

THE PRIVATE SECTOR WASTES MONEY TO JUST LOOK

Mr. PROXMIRE Mr. President, the waste in the Federal Government has been denounced broadly in the Congress and out and it should be. As one of the principal denunciators I not only plead guilty but promise to keep it up, whenever possible.

Still the fact remains—not only that the great majority of workers in the Federal Government work hard and conscientiously, but there is also considerable waste in the private sector and in some respects it is even worse.

As a prime example of this I am indebted to Joe Cappo of the Chicago Daily News who has just honed his typewriter in on a beaut.

Mr. Cappo quotes from a press release from the Cole Division of Litton Industries, and just listen:

A group of secretarial students will attend a one-day seminar to learn the skills of brewing "executive coffee" for their future employers. The executive coffee-brewing seminar will include several coffee making recipes, a primer on how to attractively set a desk for coffee drinking, and a list of snacks that are advisable for consuming with coffee at various times of the office day.

Mr. President, can you imagine the fury with which this kind of seminar would be greeted if it were conducted for government secretaries—and properly so.

As Mr. Cappo asks, why could they not offer a course in back rubbing, or shoe polishing or running out and getting a pack of cigarettes.

Mr. President the fact that the Cole Co., that is putting on this extravaganza is a subsidiary of the Litton Industries, does not surprise this Senator. No wonder Litton is pushing Lockheed and Grumman for the record in cost over-runs on defense contracts. Litton may not be able to build a ship that will float, but I bet they brew a mean cup of coffee.

Mr. President, I ask unanimous consent that the column by Joe Cappo be printed in the RECORD.

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

WOMEN—ER—GIRLS, KEEP THAT MAN HAPPY!

(By Joe Cappo)

I think there might be some women in the audience who will squirm a little as they read this column.

It doesn't have anything to do with marketing or advertising or any of the other subjects I normally cover. But it is the type of item I hate to pass over without sharing with you.

I will quote from a press release sent to this newspaper by the Cole Division of Litton Industries, which makes office furnishings:

"A group of secretarial students will attend a one-day seminar to learn the skills of brewing 'executive coffee' for their future employers . . . (the students all attend Northwestern Business College, which has no connection with Northwestern University. The seminar will be at 10:30 a.m. Tuesday at Space 1147 of the Merchandise Mart.)

" 'Coffee for American executives at their desks has become an accepted way of corporate life,' states Richard Tierney, Cole's president. He notes that European secretaries have been brewing coffee—and tea—and sometimes even making lunch for their bosses for more than 100 years.

" 'Today's executive secretary is not just part of the office furniture like typewriters or filing cabinets,' adds the Cole president. 'She acts as her employer's office hostess making sure that he and visitors to his office are comfortable and presented with acceptable amenities.'

"The executive coffee-brewing seminar will include several coffee making recipes, a primer on how to attractively set a desk for coffee drinking, and a list of snacks that are advisable for consuming with coffee at various times of the office day. . . ."

I think this company is doing a good thing for all of executive-hood. I mean, what is worse than having a secretary who can't brew a decent cup of coffee?

The problem with the Cole division of Litton Industries is that it is dull, unimaginative and old hat. Women . . . excuse me . . . girls already have Mrs. Olson to tell them how to make good coffee for The Man in Their Lives.

What this company should have done is offered a complete set of courses, not just a measly one-day seminar.

For example today's secretaries, with all that college training, don't rub executives' backs as well as they used to. Cole could easily offer a one-day seminar in Back Rubbing.

How about a course in Shoe Polish? Or one in Running Out and Getting a Pack of Cigarets?

"I'll bet our women readers have a lot of suggestions like this for the Cole Division of Litton Industries. They can mail them to the company's local office, Space 1147. Merchandise Mart, Chicago 60654. And send me a copy at The Daily News, Chicago 60611.

FOOD: A RACE AGAINST THE CLOCK

Mr. KENNEDY. Mr. President, as world food resources diminish and the search for food becomes more acute among developing states, many nations will come to increasingly rely upon the international community—particularly the United States—to help meet a major portion of their food requirements. The world-wide cost of food grains is not only growing prohibitively high for hungry nations, but in order to meet this burden, foreign exchange reserves are being diverted from essential development programs to purchase food.

A "food deficit spiral" is slowly beginning to drain both the resources and energies of developing states—affecting not only the economic viability of already impoverished countries, but the very foundations of their institutions as well. As the price of food begins to exceed

their ability to pay, the United States can take little satisfaction from the short-term harvest of dollars it is reaping from international food purchases.

Mr. President, one of the greatest contributions which we as a people have made to developing nations has been our commitment to help support their efforts to reach economic self-sufficiency. Yet, this critical economic aid is now likely to be diverted, to buy American food rather than to forge economic independence with American help. If we are to stop this food deficit spiral, if we are to help ensure the success of our foreign assistance, then our Government must begin to recognize the impending world food crisis and assist in the planning of a coherent international food policy.

Our Nation will be a crucial force in the forthcoming World Food Conference which will be held this November in Rome. The current optimistic forecasts for better world food yields this year can not only buy the international community additional time in the immediate days ahead to plan food policies, but will also enable the United States to present a viable program as an alternative to a deteriorating minimum world food security in an atmosphere of mutual cooperation rather than mutual suspicion.

Mr. President, I would like to draw to the attention of Senators three articles appearing in the New York Times and the Baltimore Sun, and I ask unanimous consent that they be printed in the RECORD.

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

[From the New York Times, June 16, 1974]

A RACE AGAINST THE CLOCK ON FOOD

(By Roger E. Anderson)

The world food problem we are so sharply aware of today shares with most other so-called crises a curious duality: it was at once foreseeable and foreseen but still unrecognizable until the last minute.

Ever since Thomas Malthus proposed in 1798 that people might someday multiply themselves out of food, the idea has been hovering vaguely in our consciousness. For some, the reality has been deadly apparent.

A Malthusian moderate, which many food experts seem to have become, would note dispassionately that the problem has three dimensions—time, population, and production.

With world population growing at an annual rate of 2 per cent, we have perhaps 20 years, or roughly until the year 2000, to control population growth or to raise food production to sufficient levels around the world so that all people can afford to eat, or both. After that, unless the situation has been remedied, the lid blows off the pressure cooker, and few forecasters are prepared even to imagine the consequences if that should happen.

The short-term outlook is not encouraging, and it serves to define with grim precision the nature of the long-range problems ahead.

The current scarcity of major agricultural commodities and the large draw-down of world food reserves menace the poorest and slowest-growing countries most seriously. The developing nations may have to pay some $15 billion more for essential imports in 1974 than they did in 1973. They are so gravely threatened by increasing food and fertilizer prices and almost intolerably high oil prices that the prospect of disaster within the next several years is real, and we may see governments collapse under the strain.

Food production prospects for the Third World are less hopeful now than they were last fall. Most developing countries will be especially short of foreign exchange reserves as a result of the increase in energy prices last December, and shortages of imported energy, fertilizers, pesticides and other agricultural inputs consequently will be aggravated. The higher prices they will receive for their own relatively small commodity exports will not significantly offset their higher import costs.

Important parts of the world are, in fact, approaching the precarious line between survival and disaster. To take India as an example, if—on top of all its other burdens—it were to suffer a monsoon failure, the consequence could be a famine in which literally millions of lives would be lost. The shock of those deaths would rattle social, political and economic windows around the world.

In any discussion of world food problems the question of reserves invariably arises. It is widely expected that the outlines of some form of global food reserve system will emerge from the United Nations World Food Conference to be held in Rome this November. And it is of special significance that such a system supposedly will be accompanied by plans for an international effort to increase food production in the developing countries.

When the word reserves is mentioned heads immediately turn in the direction of the United States, for two decades the world's principal repository of grain stocks and balance wheel of food supply. These stocks have now been largely depleted. The present position, as expressed by Secretary of Agriculture Earl L. Butz and members of his department, seems to be that the United States is not opposed to the buildup of reserves and will cooperate in such an effort with other nations.

The United States cannot, however, accept the complete responsibility for carrying these reserves. That responsibility is a global one, to be shared by other nations, including the developing ones.

Moreover, in the long run people cannot continue to be fed from reserves. Food must come essentially from annual production, and the immediate and long-range challenge, therefore, is to plan to produce food instead of planning to store it.

Logic and intuition alike tell us that the ultimate solution to the food problem lies in production and development—and they go hand in hand.

International efforts, such as provided by the World Bank and the Agency for International Development, need to be increased to assist agricultural development in the developing nations. Many of these have extensive but untested agricultural potentials. The countries where "green revolution" practices have been applied have shown that meaningful increases in food production are possible there at substantially lower costs than for comparable increases in some of the more agriculturally advanced nations.

Ultimately, I believe, agriculture in the emerging nations will have to become more an industry and less a personal way of life. In the process it will have to develop along lines that will allow it to regenerate its own capital through profits. Initially, however, it will require seed capital, which could be provided by national governments, international organizations, bilateral arrangements with the United States or multinational companies and financial institutions.

Last March, speaking to a group of businessmen and Government officials in Tokyo, I suggested that the multinational agricultural corporation could be an effective vehicle for infusing capital into the now labor-intensive farming systems of developing nations, for transmitting programs leading to the development of technical and farm management skills and for marshaling local incentives to explore additional food sources and improve present sources through more effective production practices.

There are, of course, multinational corporations doing these things now, especially in the fields of food growing and processing, commercial fishing and fish meal production, farm machinery, pharmaceuticals and others. There is ample room for more.

The developing nations have limited resources. Their economies show diverse patterns but they share a common ability to frustrate private enterprise. Some seem to prefer outright aid because of their reluctance to deal with private, profit-making interests. This ignores the fairly-well documented claim that one dollar of private investment in technology is more effective than three dollars in outright aid.

To be as realistic as possible, private enterprise faces a number of possible hazards in doing business in these countries: currency devaluation, restraints on the repatriation of profits, expropriation, revolution and, lately, kidnapping.

These are sobering risks, but risk is private enterprise's middle name.

In many cases where it has been done successfully the key to entry into the operation in developing nations has been the joint-venture approach, where the host country has substantial participation in the enterprise. Several combinations are possible.

A government may want to process the raw materials its land can produce but must import the technology to do so.

Private capital may be introduced into a nation that will provide its own public funds for the building of port facilities, roads and infrastructures.

A government may agree to provide labor and materials in exchange for private capital and management.

Methods of payments differ, sometimes taking the form of long-range contracts by which the company can buy the host country's products at fixed prices.

It is likely that ventures of this kind will increase as developing nations become more convinced that they offer greater benefits, with fewer springs attached, than other varieties of assistance. It has been documented, for instance, that in one country nationally owned and manager fertilizer plants consistently average only about 60 per cent of efficiency, a rate that is not effective and certainly not profitable. When a United States multinational corporation entered the picture, a typical plant was brought up to about 85 per cent of capacity in a relatively short time.

If the multinational company is going to make the contribution that it can toward easing or solving the food shortage problem, it will, in the nature of things, keep an eye on its profits, and growth in sales—but not exclusively. It will also have to show increasing concern with its positive effects on the totality of the host country and demonstrate its social and financial accountability.

The company will have to give evidence that it is providing the host country with contributions toward an increase in efficiency of local enterprise, the inward flow of capital and technology, employment growth, the national ability to compete in the world, balance-of-payments improvement and tax revenues.

The food crisis for the developing nations is real and it is dire. It has the potential to become disastrous, but we hope that it will not—and business shares an obligation with other sectors of society to work to prevent that eventuality.

One encouraging sign we might look for would be the emergence of a strong—perhaps collective—initiative by these struggling countries by actively seek from the business community some forms of productive, developmental participation that would be at least tolerable within their societies. They might be astonished by the quantity and quality of the response and by the results of that response.

NOTE.—This article is adapted from a speech presented at a seminar on "Feeding the World's Hungry: The Challenge to Business," presented in Chicago last month by the Continental Illinois National Bank and Trust Company. Mr. Anderson is chairman and chief executive officer of the bank and its parent company, the Continental Illinois Corporation.

[From the Baltimore Sun, June 17, 1974]

A CHANCE TO FIGHT FAMINE

The head of the United Nations Children's Fund has warned of a possible 50-fold increase in the ten million children who normally suffer malnutrition. Japanese fertilizer exports to China, India and other Asian countries are being cut back 15 to 20 per cent. India, normally self-sufficient in grain, is seeking to buy American wheat. Land prices are soaring in the American wheat belt. These are not separate developments. The world is turning into a single market for grain as well as for oil, and the United States is the Saudi Arabia—and-then-some of this market. Soybeans are consumed not only by cattle and poultry but also by 1 billion people, and two-thirds of the world's soybeans grow here.

If world population growth does not dramatically slow down, according to the food economist Lester R. Brown, world food production must double over the next generation to maintain present consumption standards. But these standards are rising. The disruption of grain markets in 1973 was caused, according to World Bank experts, not by the droughts in Africa and India but by the Soviet government's decision to press ahead with an increase in the beef component of the Soviet diet. These experts provide a picture of world food production rising an average 3 per cent annually during the "Green Revolution," set back 3 per cent last year, and rising once again. Tremendous wheat crops are reported coming in the United States, Canada and Australia. Meanwhile, the Sahara desert is still spreading southward in Africa and India is suffering wheat rust, and an inability to compete in price with other customers for oil-based fertilizer. World Bank experts attribute the world fertilizer shortage to inadequate capacity to meet rising demand, rather than to oil price rises.

Talk of the world food crisis involves different time scales, from arguable projections of the future to inescapable facts of today. Dramatically increased land cultivation, possible new food sources and population control are approaches to the long-term problem. Dr. Addeke Boerma, director general of the UN Food and Agriculture Organization, proposes creation of a world food reserve system, to meet near-term emergencies. A world food conference will be held under UN auspices in Rome in November, at which such a thing could be set up. This year's good crop news in the more fortunate countries might be an embarrassment to some of the doomsayers, but it is also a welcome background to the conference. It provides an opportunity to develop a world system for fighting famine which is afflicting some countries now and will recur elsewhere in the future.

[From the Baltimore Sun, June 16, 1974]

SOUTH ASIA: POLITICAL MALAISE IN THE FACE OF FAMINE

(By Arnold R. Isaacs)

HONG KONG.—A mood of fearful anxiety hangs over South Asia, as oppressive as the burning days and hot smoky nights of the premonsoon summer. With luck, sometime in the next few weeks the rains will break the summer heat, but it will take much more than a change of weather to dispel the political, economic and social crises that have been gathering for the last two years.

In part, the troubles of India, Pakistan and Bangladesh are the same as those afflicting much of the Western world: rising prices and falling living standards; national leadership that seems helpless, uncaring and corrupt, and a growing loss of faith in political institutions.

The difference between South Asia and the West, though, is that this is a region where millions upon millions of people already tremble upon the thinnest of edges between survival and starvation, and further economic setbacks could mean not simply hardship, but human suffering on an overwhelming scale. Mass famine and total social breakdown are far from inevitable, but they loom as real and frightening possibilities in the minds of officials, planners and ordinary people alike.

No easy generalizations are possible in South Asia, a region as large, as populous and as diverse as all Europe. But the three principal countries have a number of problems, some old and some new, stemming from common causes and producing like results.

Inflation. Rising prices are the chief cause of popular discontent, and there is no end in sight. The inflation springs from two sources: the rise in food prices that was touched off by worldwide grain shortages in 1972–1973, and the threefold increase in petroleum prices imposed by the oil-producing nations last year.

The result has been inflation rates unknown since World War II. In India and Pakistan official cost-of-living indexes are rising at between 25 and 30 per cent a year, and the real impact on the poor is probably worse. In Bangladesh, where the inflation hit an economy that was already in ruins from the 1971 war that led to Bengali independence statistics are dubious but the rate of price increases is probably at least 100 per cent a year.

Labor unrest. Inflation has its sharpest impact, naturally, on the urbanized industrial and white-collar workers, who are very poor by Western standards, but are regarded as middle-class in South Asia. Though the urban populations are minorities—20 per cent in India, less than 10 per cent in Pakistan and Bangladesh—they are the more politically active element, more awakened to their own interests than the still-inert mass of peasants.

Strikes and slowdowns by workers protesting inflation-shrunken paychecks have become common. In India, Prime Minister Indira Gandhi last month successfully crushed a three-week nationwide railroad strike, but there is every possibility that other disputes will surface. In Pakistan, once-passive workers are increasingly turning to the strike weapon, and the same is true in Bangladesh.

Food shortages. The "Green Revolution," which once seemed to promise an end to periodic food crises, has slowed down. While existing techniques could raise South Asian rice and wheat production far above present levels, this would require enormous investments in irrigation, fertilizer and other technical aids—investments that hard-pressed economies will find difficult. The introduction of "Miracle" rice and wheat strains brought dramatic gains in the late 1960's, but the drought of 1972 wiped out stockpiles and sent prices soaring. Even with favorable weather this year overall production will only be about at the 1970 level.

The petroleum crisis affects agriculture because petroleum-based fertilizer has quadrupled in price and is in very short supply, and because fuel for irrigation pumps is also expensive and at times unavailable. All three countries are faced with continuing, substantial imports of grain, and with prices two or three times as high as in the 1960's this is a cost burden, swallowing up scarce foreign exchange that could otherwise be used for development projects.

Overpopulation. India adds some 13 million people a year to its already staggering 585 million inhabitants. Pakistan, now at 70 million, grows by 2 million a year. Bangladesh, the world's most densely populated nation, has 75 million people in an area the size of Illinois, and its growth rate is about the same as Pakistan's. The yearly population growth literally eats most economic gains even in favorable years. None of the three governments has yet begun to make a dent, even though all officially-sponsor family planning programs. Public acceptance and use of birth-control measures is still extremely low.

Sharing these problems, all three countries also share a similar political orientation. Though differing enormously in their personal styles, the prime ministers—Indira Gandhi in India, Zulfikar Ali Bhutto in Pakistan and Sheik Mujibur Rahman in Bangladesh—all espouse the cause of the impoverished have-nots and the ideology of socialism. For varying reasons, though, none has been able to fulfill the promise of a better life for the poor, and none has been able to create a sense that national hardships are being equally shared. The result is political malaise that may differ in each, but runs through all three countries.

In India, Mrs. Gandhi has slipped a long way from the crest of popularity she reached only two years ago, in the aftermath of a victorious war against Pakistan. Her leadership is widely criticized, and the Congress party she leads—the dominant political force in India ever since independence 27 years ago—is increasingly regarded as flabby, corrupt and indifferent to the suffering of the people. Student-led demonstrations against Congress party governments in two important states, Gujarat and Bihar drew unexpectedly wide public support this spring, and many Indian observers saw the wave of protests as a harbinger of even more serious troubles to come.

Mrs. Gandhi's critics accuse her of paying too much attention to political maneuvers and too little to fundamental economic problems; of assuring her own survival in power by maintaining too many incompetent or corrupt party leaders around her. Comments about Mrs. Gandhi's rule seemed remarkably uniform, even when expressed by Indians of widely differing political views.

"What worries the ordinary man most is our inability to deal with obvious problems," says an economist. A journalist comments: "the congress party has not given the people the feeling that its leaders are sharing their troubles." A social scientist feels that "Mrs. Gandhi wants to keep power at any price."

In recent weeks, she has bolstered her slipping prestige somewhat with India's first nuclear test, widely criticized outside the country but welcomed within it. She also seemed, by most accounts, to enjoy public support for her tough suppression of the railway workers strike. But neither the nuclear test nor the crushing of the rail unions will have any real effect on the falling living standards or inept leadership that Indians are grumbling about.

Despite Mrs. Gandhi's political troubles there is no apparent alternative to her or to the Congress party, and this in a democratic framework which Mrs. Gandhi, unlike her counterparts in Pakistan or Bangladesh, has sustained. The Indian press remains free to criticize, opposition parties operate without undue hindrance from the government. The demise of Indian democracy is all but unthinkable, despite what one intellectual calls "the general distrust of anyone in authority" that pervades much of Indian life.

Government officials claim, with some justice, that the preservation of democratic rule is no small accomplishment, and that while rising social and political unrest reflects unsolved problems it also is evidence that open debate and dissent are not repressed. "It is

very easy to have discipline in a dictatorship," says Mohan Dharia, minister of state for planning. "It is not so easy in a democratic system."

Democracy in India is far from pure, of course, in state elections this year in Mrs. Gandhi's home state of Uttar Pradesh, in which defeat for the Congress party would have been a devastating blow to her prestige, she and her associates were widely reported to have used virtually every trick in the political book to pull off their narrow victory. Still, the relative openness of the Indian system means that there is at least a channel for popular grievances and the possibility of orderly political change if and when Congress leadership finally loses the trust of the people.

This is emphatically not the case with India's two neighbors, both of which are under increasingly authoritarian rule. In Pakistan, in fact, many thoughtful observers believe that Prime Minister Bhutto's cardinal failing is his apparent unwillingness to allow any opposition at all. He has so much going for him, many Pakistanis believe, that he could have set Pakistan on the path to genuine democracy for the first time in years, without any risk to his own position. Instead, even while scoring remarkable accomplishments he has become increasingly rigid and unyielding and has stifled political activity almost completely.

An obviously shrewd and capable leader, Mr. Bhutto has managed to restore a great measure of the national confidence that was lost when Pakistan was defeated and dismembered in 1971.

In a series of diplomatic coups, he won Indian withdrawal from occupied Pakistani territory, the return of some 90,000 war prisoners, and the dropping of a Bangladesh demand for war crimes trials of 195 Pakistanis accused of atrocities in what was East Pakistan before the war, now Bangladesh.

Though the reality has not matched the rhetoric, Mr. Bhutto has declared his government on the side of the poor and against the oligarchs who dominated the country during the pre-1971 succession of military governments. His popular support, though eroded as Mrs. Gandhi's is by economic discontent, remains high. But his stubborn refusal to allow opposition has begun to exact a cost. He is committed to a needless, no-win struggle against tribal rebels in the harsh Baluchistan region. He has alienated intellectuals, gagged the press, suffocated political dissent. Instead of a climate of maturing democracy, which many believe he could have nurtured, he presides in an atmosphere of rumor, conspiracy and fear.

The same climate exists in Bangladesh, the saddest of all three of the major South Asian nations. Sheik Mujib, like Mr. Bhutto, is a veteran oppositionist, schooled in agitation rather than administration.

The national euphoria in which he took office at the independence of the new nation has long since been drowned by near-anarchy in the countryside, incompetence and corruption in the government and the sheik's ruling Awami League, and ruinous economic problems that may well be the worst in any nation on earth.

With few resources, Bangladesh began life with the former Pakistani-dominated administration destroyed, with tens—possibly hundreds—of thousands of weapons in the hands of criminals and politically sponsored thugs, with a badly disrupted economy and acute shortages of almost everything. A large-scale international relief effort helped ease the worst of the humanitarian problems but little has been done to begin to put Bangladesh on the road to self-sufficiency.

THE MEANING OF TORTURE

Mr. ABOUREZK. Mr. President, a recent article by Anthony Lewis entitled "The Meaning of Torture" in the May 30 issue of the New York Times was both moving and accurate. The United States has not only remained silent for the most part while governments which we support silence their real and imagined political opposition by the use of imprisonment and torture, but also in most cases we provide money through our AID program to assist these regimes to do their inhuman work.

American tax money has not only built the tiger cages in South Vietnam, but it has provided training for the Vietnamese personnel who staff South Vietnamese political prisons and who have been accused of participating in the torture of the inmates. The International Police Academy here in Washington, which is funded by U.S. foreign aid money, just graduated another class of students who will return to Uruguay, Guatemala, Nigeria, Thailand, Indonesia, and the Philippines to continue to stabilize the dictatorships and support the activities of which we are "officially unaware."

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

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

THE MEANING OF TORTURE

(By Anthony Lewis)

BOSTON, May 29.—The use of torture as a political instrument is an evil beyond justification or compromise, a practice officially condemned by every civilized society. Yet it goes on, in many places around the world, and arousing people's interest in the subject is singularly difficult. Perhaps we find the reality so unbearable that we turn away rather than contemplate it.

Such thoughts are provoked by fresh reports on the savagery practiced by the military junta in Chile. Evidence of torture in Chile has been published by, among many others, Amnesty International, the highly-respected group that favors no ideology except humanity. Amnesty's findings are summarized with telling simplicity in an article by Rose Styron in The New York Review of Books.

Victor Jara, a folk singer, was held with thousands of others in a Santiago sports stadium. He was given a guitar and ordered to play. As he did, the guards broke his fingers, then cut them off. He began to sing, and they beat and then shot him. Several witnesses have described that death. It is a relatively mild example of what Mrs. Styron relates.

Many reports tell of the use of electric shock to make prisoners "confess" to what their captors desire. Sexual assault is a common theme. Mrs. Styron mentions a women's prison, Casa de Mujeres el Buen Pastor, where young girls are sent from prison camps, pregnant, "with their hair pulled out and their nipples and genitals badly burned."

At least one complaint of such treatment has been made officially in the Chilean courts. Mrs. Virginia Ayress complained that her daughter, Luz de las Nieves Ayress, had been beaten, sexually abused, tortured with electric currents and—in a scene right out of "Nineteen Eighty-four"—had rats and spiders put on and into her body. The courts forwarded the complaint to the armed forces.

People are arrested, tortured and summarily killed in Chile for any reason or no reason. Large numbers of doctors have been arrested, some because they did not join in a strike last summer against the leftist Government of Dr. Salvador Allende. Amnesty has an appeal from Chilean doctors saying that 85 of their profession are in prison, held without any charges; another 65 are said to have been shot or died of torture or untreated wounds.

Last month the 28 Roman Catholic bishops of Chile, in an unusual public statement, condemned the practice of torture and arbitrary arrest. The junta routinely denies torture reports or, in the words of its Interior Minister, Gen. Oscar Bonilla, dismisses them as "damaging to the national interest."

But what has all this to do with the United States? Secretary of State Kissinger has told us that this country cannot reform the internal policies of other governments. As a generality that is fair enough. But it is not enough when we have a share of responsibility.

However much the Allende Government contributed to its own downfall, the United States made things worse by cutting essential economic assistance—except to the Chilean military. Since the coup, Washington has given strong support to the military regime. Unlike other Western countries, we have offered no asylum to Chilean refugees. And we have said nothing, officially, about the murder and savagery.

Words would matter in this instance. If the United States spoke out against the torture, if our Embassy in Santiago was active in watching the trials and other visable manifestations of oppression, if more American lawyers joined international legal groups in protesting the junta's lawlessness, if Congress moved to attach conditions to aid, those who rule Chile would almost certainly listen.

But the present Government of the United States shows no concern for human rights. Henry Kissinger and his President were silent for months while their allies in Pakistan slaughtered the Bengalis. Washington has nothing to say about a Greek Government that rules by terror. Or about the Government of South Korea, whose kidnappings and brutalities make Communist regimes look almost decorous by comparison. (For a student to refuse to attend class in South Korea "without plausible reasons" is a crime punishable by death.)

Some of the nastiest governments in the world today were born or grew with American aid. That being the case, the most modest view of our responsibility would require us to say a restraining word to them occasionally. But we say nothing, we hear nothing, we see nothing.

There was a wonderful example the other day—funny if it did not involve so much suffering. The State Department said it knew of no political prisoners in South Vietnam, because Saigon's stated policy "does not permit the arrest of anyone for mere political dissent." Thus the thousands of non-Communists in South Vietnamese jails were made to vanish, the twisted creatures in tiger cages waved away. Thus the idealism that once marked America's place in the world has become indifference in the face of inhumanity.

REFUSAL OF MR. KENNETH RUSH TO TESTIFY BEFORE CONGRESS BASED ON SPURIOUS GROUNDS

Mr. PROXMIRE. Mr. President, some time ago Mr. Kenneth Rush agreed to testify before the Joint Economic Committee's hearings, scheduled to be held this week, on the state of the economy.

The hearings were scheduled as a result of the President's recently issued midyear economic statement. The major new thrust of that statement was the appointment of Mr. Rush.

On June 13, however, I received a letter from Mr. Rush refusing to testify on grounds of a long-standing practice that precludes testimony of the President's immediate staff before congressional committees. He said it was fundamental to the operation of our system of separate powers.

I ask unanimous consent that his letter be printed at this point in the RECORD.

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

THE WHITE HOUSE,
Washington, D.C., June 13, 1974.

Hon. WILLIAM PROXMIRE,
Vice Chairman, Joint Economic Committee, U.S. Senate

DEAR SENATOR PROXMIRES In response to your letter of June 4, unfortunately I will be unable to testify before the Joint Economic Committee on Tuesday, June 18.

In the interest of ensuring that Presidents of the United States receive the most candid and unhibited advice available, a long established principle and precedent has been followed that precludes testimony of members of the President's immediate staff before Congressional Committees in regard to the performance of their duties as Presidential advisers. This practice is fundamental to the operation of our system of separated power. Therefore, I must respectfully limit my discussions with you and your colleagues to informal meetings and I respectfully decline your invitation.

Kindest regards.

Sincerely,

KENNETH RUSH,
Counselor to the President for Economic Policy.

SPURIOUS ISSUE

Mr. PROXMIRE. Mr. President, the refusal of Mr. Kenneth Rush, the President's new chief economic adviser, to appear before Congress is based on the same arrogance of power and immaturity of thought that led to Watergate.

For the self-described new "primary adviser on economic policy" to the President to refuse to account to Congress on some spurious notion of separation of powers is both unacceptable and ridiculous.

Because of the seriousness of this matter I intend to do all I can to persuade other members of the Appropriations Committee to join me in denying funds to the President to pay the salary of policymaking officers who refuse to appear before appropriate congressional committees.

NO FIGUREHEAD—CHAIRMAN OF ACTIVE GROUPS

Mr. Rush is no mere figurehead. He not only calls himself the President's primary adviser on economic policy but he is to chair the Council on International Economic Policy, the Cost of Living Council, and the East-West Trade Council. He is to be superior in the economic field to the Chairman of the Council of Economic Advisers, the Secretary of the Treasury, and the Director of the Office of Management and Budget, all of whom have routinely honored requests to appear before the committee.

The hearings were called primarily to review the President's recently released midyear economic report. Almost the only new or major policy in that document was the appointment of Mr. Rush as the man in charge of the administration's economic policy.

Under the Employment Act of 1946, the Joint Economic Committee has the legal responsibility to review the President's economic policy. But now we are told that the man in charge will not appear.

This is even more vexing because of his recent activities. He has not only appeared on Meet the Press and lectured to the NAM but is also appearing on June 17 before a group which includes representatives of the hog producers of the country.

The idea that Mr. Rush should appear before nonelected and unofficial groups but refuse to appear before the elected officials of Congress is not only repugnant to good sense but to the Constitution itself.

ACCOUNTABILITY IMPORTANT

High officials in this country are and must be accountable to the elected representatives of the people. One would think that the events of the last 2 years, in which a large number of heretofore inexperienced people asserted a unique theory of unaccountability of power and authority, might not have been lost on Mr. Rush and his White House colleagues.

Mr. Rush's view that his responsibility to give the President his "candid and uninhibited advice" precludes his testimony before our committee, is a spurious notion of executive privilege. No one will ask Mr. Rush to tell us what he said personally to the President. If he were asked he could properly refuse to answer and no court in the land would gainsay him.

What we are interested in are not Mr. Rush's conversations with the President but his views as the new economic czar on the immensely important and topical issues over which he will exercise great power and authority such as inflation, unemployment, and economic growth.

ECONOMY THE DOMINANT DOMESTIC ISSUE

There are the dominant domestic issues. He is the top adviser to the President about them. Congress has both the right and the duty to seek out, review, debate, and legislate about the economic policies he and this administration propose.

Mr. Rush has thwarted that wholly healthy democratic process. While the hearings cannot now go forward, there are a variety of other actions I intend to take in addition to cutting out his salary to force Mr. Rush's accountability. They will become clear in due course. Congress must no longer be spurned in its proper duties by those who are deficient in their understanding of political democracy.

PROSPERITY AT THE SUPERMARKET—BUT NOT ON THE FARM

Mr. ABOUREZK. Mr. President, one of the leading and most innovative students of American agriculture today is Jim Hightower, Director of the Agribusiness Accountability Project. One of his most recent articles, "Feeling Outraged About High Prices Down on the Farm," analyzes the claim that "farmers never had it so good."

This article points out that prosperity at the supermarket is not the same thing as prosperity at the farm level. In fact, the food middleman continues to take nearly three-fifths of the consumers food dollar.

It is particularly disturbing to note that the middlemen are growing larger and more concentrated. Food, our most basic industry, is becoming increasingly the preserve of monopolistic corporate power.

There are encouraging signs that the Federal Trade Commission is intending to look into this situation. I certainly intend to monitor this effort and offer any support and encouragement that I can.

Mr. President, any one interested in seeing American agriculture based on small family farm units would be interested in this article. 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 Washington Post, June 16, 1974]

FEELING OUTRAGED ABOUT HIGH PRICES DOWN ON THE FARM

(By Jim Hightower)

"Farmers never had it so good," declared President Nixon at a press conference in March. But have they? Certainly, farm people do not share the President's cheery outlook on the farm economy. In fact, farmers were shocked and outraged, and one national farm group considered the remark so callous as to warrant impeachment.

With the highest food and farm prices in memory, what caused farmers to bridle at the President's comment? Two things in particular.

First, farmers did not benefit most from the exorbitant food prices of 1973—the U.S. Department of Agriculture (USDA) reports that food middlemen continued to take nearly three-fifths of the consumer's food dollar in 1973.

Second, the President was trying to make political hay out of a temporary farm price boom that already is fizzling out—1974 does not look all that great to farmers.

Consider the first question: who profited? There can be no doubt that 1973 was a good year for farm income, especially for grain and livestock farmers. As it turns out, administration publicists were a bit overzealous in their initial claims for farm income and they had to revise their early figures downward by $2 billion. And there is considerable doubt that all of the $24 billion farmers supposedly earned actually ended up on the farm, since a good many corporate processors and marketers of such commodities as eggs and poultry get counted as "farmers." These quibbles aside, however, 1973 was not a bad year to have been a farmer.

But it was not the kind of year that warrants being singled out in a Presidential press conference. Even with the record income levels of 1973, farmers received only 46 cents of the consumer's food dollar. The rest went to the corporate middlemen that process, market and retail food. Nor does every farmer in America draw 46 cents every time a consumer lays down a dollar; most farmers never see that kind of ratio.

For an example, the chicken for which you pay $1.50 pays the chicken farmer 6 cents. USDA statistics show that a can of peaches cost consumers 41 cents last year, but the peach farmer got only 7 cents of it. You spent 28 cents for a loaf of white bread, but only 4 cents trickled back to the wheat farmer. A head of lettuce cost 43 cents at the

supermarket, but paid only 4 cents to the farmer.

PROCESSORS' PROFITS UP

At a time of skyrocketing food prices and consumer disgruntlement, the President pointed to farmers, without bothering to mention that food corporations were enjoying even better times. Far from flattered, farmers felt picked on. Cattle ranchers are said to have done especially well in 1973, but none did anywhere near as well as such corporate cowboys as Iowa Beef Processors, with a 66 per cent profit increase last year, or American Beef Packers, with a 288 per cent profit increase. Food processors grumbled all last year about government price controls, but their 1973 profit figures suggest that they grumbled all the way to the bank. For example, the big canners of fruits and vegetables did much better than the farmers who grow them with such firms as Del Monte taking a 35 per cent profit increase in 1973, Campbell soup 23 per cent and Castle & Cook (Dole) up 52 per cent.

The May 4 issue of Business Week offered another interesting insight into how the chips actually fell last year. In a listing of salary increases for corporate executives, the food industry was found to be very generous. Food firms and government officials are quick to point to rising labor costs as an inflationary villain and a drain on corporate profit margins but they do not draw attention to inflationary jumps in executive salaries. In 1973, food industry workers had wage increases of 6 per cent. Up in the executive suites of food corporations, however, there was much less restraint.

Food manufacturing firms ranked ninth out of 32 industries surveyed by Business Week, boosting the pay of their top executives by an average of 17.7 per cent. For example, while consumers were being advised by government and industry to switch from beef to beans, Kraftco increased the salary of its board chairman from $264,000 to $321,000. Consumers ultimately get to pay for Kraftco's internal largesse. Grocery chain executives ranked fourth in Business Week's listing, taking home a 24.3 per cent pay increase. Safeway, which complained all last year that its profit margins were paper thin, scraped up an extra $16,000 to round off its chairman's salary at $200,000 a year. Noting that these corporate executives now claim to be feeling the "pinch" of inflation, Business Week reports that their pay levels can be expected "to take another big jump with the expiration of controls."

FARM PRICES DOWN

Grocery shoppers undoubtedly are puzzled over the phenomenon of the "disappearing price drop" in our food economy. Since September, 1973, the news media have been reporting each month that the farm value of food has been falling. But that price drop on the farm has not made its way into the supermarkets. Farm prices fizzled 16 per cent from August to December of last year but supermarket prices remained sizzling hot. Even as President Nixon was making his remark about the good fortunes of American farmers, the price they were being paid was falling for the sixth straight month, while the price charged to consumers actually was rising.

Not only did food firms pass all of the farmers' 1973 increase right through to the beleaguered consumer, but they also attached a sizable markup of their own. The Federal Reserve Bank of Chicago reported on March 8 that food middlemen increased their take from consumers by 6.5 per cent in 1973. That is an increase exceeded only once (in 1970) in the last 20 years. And the Department of Agriculture reports that these firms will increase their share in 1974 at a rate that "may be more than double the 1973 increase." What that means is that consumers will pay much more for food this year and much less of what they pay will go to farmers.

In 1973, the farmer was averaging 46 cents of the food dollar. By May, 1974, that already had fallen to 42 cents, the same level it was prior to the boom of 1973. And the farmer's share is expected to fall even more during this year. The retail price of food is hardly keeping pace. A Department of Agriculture report shows that the price of bread rose from January to April by two cents, while the farm value of bread ingredients fell by two cents. That is four extra pennies picked up by middlemen every time a loaf of bread is bought.

Not only are middlemen failing to pass along cheaper farm prices, but some appear also to be holding back on supplies of farm goods. For example, Reps. Frank Denholm (D.-S.D.), Thomas P. O'Neill, Jr. (D.-Mass.) and Lester Wolff (D.-N.Y.) have suggested that meat packers and processors are widening their profit margins today by manipulating available supplies of meat.

The congressmen took a look at the meat industry's cold storage inventories in May and found an astounding amount of meat being packed away in corporate warehouses. Department of Agriculture figures showed that cold storage of beef by the packers and processors is 33 per cent above last year, pork stocks are 43 per cent greater and poultry storage is up by 87 per cent. Denholm charged that this storage "clearly pirates the prices of consumers and producers alike." By storing meat, the corporations can artificially decrease supplies in supermarkets, thus keeping consumer prices high. Simultaneously, the record inventories decrease industry demand, thus dampening prices paid to meat raisers.

During April, farm prices overall fell another 4 per cent, with the price of cattle falling from 39 to 37 cents a pound, hogs down from 31 to 26 cents a pound, wheat down from $3.98 a bushel to $3.52, cotton down from 58 to 49 cents a pound and eggs down from 50 to 42 cents a dozen.

STEIN'S STATEMENT

A remark in May by Herbert Stein, chairman of the President's Council of Economic Advisors, is depressing to farmers and consumers alike. He said, "The *declines* in farm product prices are likely to be reflected in much smaller *increases* in retail food prices than occurred in the first quarter of 1974" (emphasis supplied). Only the Grocery Manufacturers of America and the National Association of Food Chains can appreciate the logic of that.

In fact, that is the kind of logic that food middlemen can carry to the bank. The Federal Reserve Bank of Chicago said in its May 31 agricultural letter that "the available evidence suggests that higher profits have contributed to the widening farm-to-retail price spreads." That conclusion is supported by Business Week magazine figures showing that in the first three months of this year the largest food retailers had profits that were 59 per cent higher than a year ago, even though their sales were up just 14 per cent.

The Department of Agriculture clouds the issue of high middleman profits by reporting figures that encompass all food firms, the small with the giant. There are 32,000 food manufacturing firms in America, but just a handful of those sell nearly all the food and control the industry. In May testimony before the Joint Economic Committee, the Federal Trade Commission's Dr. Russell Parker noted that "the 50 largest [food manufacturers] controlled 50 per cent of assets of 1964, they accounted for 61 per cent of profits and nearly 90 per cent of television advertising." According to Dr. Parker and other authorities, this level of industry concentration is increasing steadily. These are the brand-name giants, powerfully situated between millions of farmers and millions of consumers, and they are fast becoming the decisive force in the American food economy.

The average profit increase for all 32,000 food firms in 1973 would not be remarkable but the dominant firms had "a year to remember," as Business Week put it. A special USDA task force on food marketing costs reported this month that the profits of food middlemen in 1973 "probably" will exceed the 1972 total of $3.4 billion. But the task force need have no doubt about the largest firms. Analyzing the 66 largest food processors, Business Week reported in March that their profits averaged 17 per cent higher than in 1972. The profits of those 66 industry leaders were more than $1.8 billion, which is more than half the industry's total for the previous year.

To a significant degree, this level of profit is the result of monopoly power in the food industry.

Dr. William Shepherd, a leading authority on market concentration, reports that the food industry falls well within the category of "tight oligopoly," with the average four-firm concentration within the industry being 55 per cent. In many food lines, shared monopolies exert much greater control. For example, 91 per cent of all breakfast cereal is sold by four firms (Kellogg, General Mills, General Foods and Quaker). Three firms (Dole, Del Monte and United Brands) sell 85 per cent of all bananas in this country. Gerber alone sells 60 per cent of all baby food and Campbell's sells 90 per cent of all soup.

The same high levels of concentration exist in food retailing, with more than half the cities in the country being dominated by four or fewer chains. In the Washington, D.C. area, for example, Safeway, Giant, Grand Union and A & P control 72 per cent of the grocery market. Nationally, one-third of all the convenience grocery stores are owned by Southland Corp., parent of the 7–11 chain.

PRODUCTION COSTS

There is another harsh economic reality that is squeezing farmers and causing them to think anew about the advice of old-time populist leader, Mary E. Lease: "Raise less corn and more hell." That reality is the rise in farm production costs.

Not much of what the farmer gets stays in his pockets, for he has a mess of bills to pay. As farmers move into the summer months, they are massively pessimistic. The cost of their production supplies has increased about as rapidly as the plummeting of farm prices. In March alone, farm prices fell 44.4 per cent, while the cost of farm inputs increased 2.2 per cent. The Department of Agriculture predicts that farmers' expenses in 1974 will be "more than $9 billion above last year."

A corn farmer in Iowa told the Des Moines Register of fertilizer prices this year 40 per cent higher than last, of diesel fuel prices doubling since last year and of corn seed that has gone from $25 a bushel to $37 a bushel. The cost of new machinery has gone out of sight, and repair of old machinery is about as costly—as this corn farmer put it, "You don't need too big a truck to haul away $500 in parts." He is having to shell out this kind of money now, while the price he can expect for his corn already has tumbled this year from $3.25 a bushel to $2.27.

At work here is the other jaw of the corporate vise that is squeezing family farmers and contributing to higher food prices. There may be a profit made on the farm in 1974, but there will be much more profit made off the farmer. Here's a sample of profit increases farm suppliers already have had in the first quarter of this year.

First quarter, 1974

[In percent]

	Profit increase	*Sales increase*
International Harvester	133	16
Stauffer Chemical	55	31
Occidental Petroleum	716	96
Firestone Tire & Rubber	19	17
Pfizer	33	26

Source: Business Week, May 11, 1974 "Survey of Corporate Performance: First Quarter 1974," pp. 70–90.

To put these profits into perspective, the average profit-increase in all industries in this first quarter was 16 percent. And again, these profits can be traced, to the existence of monopoly power within the industries. For example, Dr. Shepherd reports that the four leading farm machinery firms hold 70 per cent of the relevant market. The Federal Trade Commission staff found in 1972 that farmers were overcharged $251 million because of the existence of monopoly power in the farm machinery industry. The four-firm concentration ratio in the chemical industry is 71 per cent; in petroleum refining, 65 per cent, and in tires, 71 per cent.

The general public, the Congress and the press have paid little attention to the rise of corporate power in the food economy. It is time to notice, for not only has that power become significant, it already has become the single, most dominant factor affecting the food supply.

It is impossible in the long run to lower food prices, to raise farm income and to assure a steady supply of nutritious food without dealing directly with the shifting structure of the food economy. Both as suppliers of inputs to farmers and as buyers of raw commodities from them, corporations have become the determining force in the farmer's business. As manufacturers, advertisers and retailers of food, corporations have become the decisive force in the quality, choice and price of food available to the shopper.

As a minimal first step toward keeping corporate food power in check, the country's antitrust apparatus ought to be focused on food. The Federal Trade Commission shows some hopeful signs that it might be listening to consumer and farmer complaints on food issues. The chairman of the commission, Lewis A. Engman, has announced creation of a special task force of lawyers within FTC's enforcement branch to develop and implement a program of antitrust action directed at the food industry. Whether Chairman Engman's highly-touted "National Food Plan" will be more than window dressing is questioned by several consumer and farmer organizations, but at this point they are grateful for any official response tossed their way.

Also encouraging are signs that at least a few congressmen are waking up to the corporate presence and beginning to probe for some answers. Within the last six months, the Senate Select Committee on Small Business, the Senate Commerce Committee and the Joint Economic Committee have conducted public hearings on the role of corporate middlemen in the food economy. In addition, the Senate Antitrust and Monopoly Subcommittee and the Senate's Permanent Subcommittee on Investigations have shown an interest in corporate activities that affect farmers and consumers.

These are halting, first steps, but they are important. Old perceptions of food power, based on the idea of independent farmers responding to sovereign consumers, no longer are valid. Increasingly, corporations are the decisive force at both ends of the food chain. That fundamental shift in power is too important a matter to be left to USDA and corporate executives.

The most lasting and significant impact of 1973's skyrocketing food prices may well be the wide public attention that the jolt of those prices attracted to food economics. The food issue will abate somewhat in intensity, but it will not go away, and neither will public attention. The food industry can expect much more scrutiny in the months ahead.

TRIBUTE TO MARY MUNSON DONNELLY

Mr. PASTORE. Mr. President, I would like at this time to take a moment to pay tribute to one of the great and dedicated teachers in the city of Warwick, R.I., on the occasion of her retirement after a long and distinguished career as an educator. I rise to honor Mrs. Mary Munson Donnelly, to extend to her my humble thank you and to express on behalf of the citizens of Warwick, their most heartfelt and everlasting gratitude for her lifetime of selfless devotion to the youth of the city. But I recognize, and I am sure my fellow Rhode Islanders recognize, that it is impossible to adequately thank Mrs. Donnelly. In a time when too many of us look for the easy way out, Mrs. Donnelly was unceasingly reaching for excellence and always giving her students her very best. In a time when too many of us have become cynical, Mrs. Donnelly's idealism was a shining example to her pupils. Mrs. Donnelly is the kind of teacher that Rhode Island and America needs.

Today, June 17, 1974, Mary Munson Donnelly will retire after 33 years of distinguished service to the Warwick School Department. Her career includes social studies and guidance teaching, and administrative duties as guidance department chairman at the Samuel Gorton Junior High School in Warwick. During the past 5 years she has directed Federal program compensatory education efforts in our city in an outstandingly successful manner. Mrs. Donnelly's untiring efforts to instill the ideals of American democracy in thousands of youth in our city deserve commendation. Her own personal qualities of forthright integrity blended with a humanitarian warmth toward those who know her, lend themselves to a portrait of womanly grace. We shall miss her sense of humor, wise counsel, Yankee wisdom, and Irish charm.

May the years ahead be blessed by health and happiness for both her and her husband.

FOREIGN AID: A TALE OF GENEROSITY

Mr. ABOUREZK. Mr. President, Jack Anderson recently wrote an excellent article on the U.S. foreign aid program. With the request from the administration for another $5.2 billion in foreign aid for the next fiscal year, I think it would be most beneficial for each of us to give careful consideration to the past history and the effect of the U.S. foreign aid program of the last three decades.

Mr. Anderson presents an interesting report on the fate of the $164 billion already expended for U.S. foreign aid. Unfortunately, the story is a dismal one. In spite of our continuing failures to accomplish the objectives we have set for our foreign aid program, each administration, year after year, continues to come to Congress for larger and larger requests for more foreign aid for the next fiscal year. It is remarkable, I think, in contrast to continuing rumors of its impending death, the foreign aid programs continue to grow.

Resourceful and rich, as a nation, we have not found a way to make aid effective, except to a degree in fighting some communistic behemoth. We have made a small minority of people happy in developing countries, but the most obvious result is that U.S.-based multinational corporations have become significantly richer because of our foreign aid program. The masses of people in underdeveloped nations continue to go hungry, poorly clothed and disenchanted.

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

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

FOREIGN AID: A TALE OF GENEROSITY

(By Jack Anderson)

Secretary of State Henry Kissinger put his prestige on the line last week to sell Congress on another $4.2 billion foreign aid bill. This staggering outlay is "essential," he pleaded, to maintain peace in the Mideast and Southeast Asia.

Maybe so.

But for a quarter of a century, we have watched the dollars rain on the just and the unjust alike. The foreign aid program has produced the greatest financial fallout of all time. We decided to measure its dimensions, if we could, going back to the end of World War II. We interviewed key officials, reviewed the public record and examined some classified documents.

Here are our startling findings:

Since 1946, the American taxpayers have given or loaned a mind-boggling $164 billion to their neighbors around the world. We traced economic payments to 132 nations and military aid to 31 nations. We didn't bother to compute the additional U.S. millions that were funneled to needy nations through international organizations.

Of the $164 billion, only a paltry $15 billion has been repaid. Uncle Sam didn't expect to get back $127 billion which was disbursed as outright gifts. A little more than $22 billion is still on the books, as unpaid debts.

On the home front, meanwhile, crime ran rampant, black ghettos were burned, drug addiction became epidemic, thousands died from cancer and heart disease. These problems would be less troublesome today, undoubtedly, had they received the same attention we gave foreign nations.

The United States has supported opposing sides in nearly a dozen wars since World War II ended. Uncle Sam aided both sides, for example, when Nicaragua invaded Costa Rica in 1955; when Honduras and Nicaragua battled over their borders in 1957; when Morocco and Spain fought over Spanish Morocco in 1958; when France and Tunisia collided during the 1961 Bizerta Crisis; when India invaded the Portuguese colony of Goa in 1962; and when Indonesia invaded Malaysia during the early 1960s.

The Pentagon gave massive doses of military aid to India and Pakistan, whose armies used U.S. weapons to fire at one another in 1965. American military assistance went to both Arabs and Israelis before they clashed in 1967 and again in 1973; to India and Pakistan before the 1971 Bangladesh war; and to both El Salvador and Honduras during their "soccer war" of 1969.

For all the talk of rapprochement, the Cold War has scarcely subsided. Most nations still receive military assistance from either the United States, Russia or China. This is frankly described by Pentagon peo-

ple as part of the world power play. Or as one expert put it, "we want to win friends and influence people." Classified documents refer to military aid as necessary for U.S. security.

American aid bolsters some of the world's most repressive governments. By our count, at least 34 military and civilian dictatorships in Africa, Europe, Latin America, Mideast and Far East are on the U.S. welfare list.

It is practically impossible to compute the total aid dictatorships have received, as they have risen and fallen, over the past 28 years. But during the last four years alone, according to our calculations, U.S. taxpayers have shelled out $2.0 billion in support of dictators. This doesn't include the $11.4 billion that has gone to the military governments of South Vietnam, Cambodia and Thailand since 1970.

Uganda's madman dictator, Gen. Idi Amin, has expelled Americans, detained Peace Corps volunteers and sent insulting telegrams to President Nixon. The United States has shown its annoyance by refusing to send an ambassador to Uganda.

But the United States would never do anything so drastic, apparently, as to halt foreign aid. Gen. Amin went on collecting $5.7 million in grants and loans in 1972 and another $1.6 million in 1973.

The United States is still pumping millions, incredibly, into the oil-rich countries which have shown their gratitude by soaking their American customers through inflated oil prices. Excluding Russia and Canada, which got no foreign aid, the top nine petroleum-producing countries have collected $5.6 billion from the U.S. Treasury since 1946.

Saudi Arabia has received $327 million in loans and grants, of which King Faisal still owes Washington $50 million. Iran has received a staggering $2.1 billion in American aid during the postwar years. Yet the Shah, afloat in a sea of palaces, jewels and cash, has an outstanding debt of $230 million.

Millions of American aid dollars have been used, not to feed the poor, heal the sick and arm the troops, but to line the pockets of the privileged, potentates and petty dictators. In South Vietnam alone, officials estimate, hundreds of American-made millionaires are still stuffing greenbacks in their secret Swiss bank accounts.

"Certainly more than a few (Saigon) subjects are millionaires," reported an independent research group, and "there are probably several hundred" who together could pay the Saigon government's bills "each year for a decade hence."

Countless more millions have gurgled down the drain as a result of bureaucratic mismanagement. Over the years, aid officials have given refrigerators to Eskimos; built a sawmill in Iran, where the only available lumber, teak, is too hard to cut with it; shipped thousands of tubes of toothpaste to Cambodia, a nation without toothbrushes.

America's unprecedented generosity has brought more grumbling than gratitude. Our Latin American neighbors have received $13.6 billion, yet they constantly complain that Uncle Sam neglects them.

The Arabs have raised a howl over U.S. support of Israel. The truth is that Israel has received $2.7 billion in American aid while her Arab enemies have collected $2.9 billion.

The European countries, which the United States rescued from the ashes of war with the Marshall Plan, have gotten $38 billion since World War II. The French, eternally looking down their noses upon Washington, received $8.3 billion.

Some of the worst deadbeats are also some of the most solvent. Austria, Czechoslovakia, Denmark, Finland, Iceland, Ireland and Portugal, combined, owe the United States $91.5 million. They weren't even asked to pay back a whopping $2.4 billion in outright grants. England still owes the United States over $1.6 billion, was never asked to repay $4.5 billion.

The American people have been the most generous in history, but they might be excused if they should now ask themselves whether it was worth it.

THE GENOCIDE CONVENTION

Mr. PROXMIRE. Mr. President, as Americans we are committed to preserving the inalienable rights of the individual. If we are to retain our position as a champion of humanitarian causes, we must protect the most basic of all human rights, the right of every person to live without the threat of an unnatural death. Only by ratifying the Genocide Convention can the United States take a step toward building a structure of international law based on respect for human dignity.

The Genocide Treaty, signed in December 1948 by a U.N. Assembly vote of 55 to 0, represents the commitment of a group of nations to a common ideal of justice. By failing to ratify this treaty, the United States evidences a slackening in moral leadership which is questioned by our allies and applauded by our enemies. The United States is not being consistent with its tradition of individual freedom and decency and morality in the treatment of every human being. As stated in the report by the Section of Individual Rights and Responsibilities:

> The United States, which was founded on the basis of protest against governmental excesses, and which grew great in substantial measure because it was a haven and the hope for oppressed persons everywhere, should be in the lead in joining in the declaration of revulsion at the organized effort to eliminate a whole people during World War II, and of determination that such an effort shall not be undertaken ever again.

If our country ratifies this treaty, interest among other nations to add their signatures may be revitalized. I urge my colleagues to act without further delay and support the effort to ratify the Genocide Convention.

REGARDING LITHUANIAN INDEPENDENCE

Mr. PASTORE. Mr. President, international treaties are making the headlines today. We are cementing our relations with other nations of the world—to the end that fair treatment—justifiable borders—lasting peace may result.

When we have paid our respects to the Middle East, we will be on our way to Moscow.

In Rhode Island we will be thinking back some 30 years when our ships, laden with munitions and weapons of war, were on their "way to Moscow." We saw those ships leave our ports for the dangerous voyage—and we saw them help to turn back the tremendous war machine of Russia's former ally—Hitler.

In the wake of World War II we saw the rise to freedom and independence of small nations all over the world.

But not for Lithuania.

Briefly independent after World War I, Lithuania was despoiled of its freedom by Moscow. We had a right to expect its freedom after World War II. It has remained forcibly annexed to Moscow—its people suffering religious and political persecution and denial of basic human rights.

Here in the Congress, year in and year out, we have spoken for the restoration of Lithuanian liberty—to no avail.

Today there is a fresh opportunity to speak up for international justice. Now Russia has an ax to grind. Moscow seeks a most-favored-nation status from us.

Let us have Lithuanian liberty in mind when we discuss détente with the Kremlin. Let any European security conference understand America's desire and demand for Lithuanian independence.

Here in mid-June of 1974 the conscience of America and our affection for and appreciation of the sons and daughters of Lithuania who are now our fellow Americans all impel us to plead the cause of the captive nations, to help them get free, as we helped Russia to avoid the catastrophe of being a captive of Hitler.

It seems an ideal time to dissolve hatreds, injustice, and the seeds of war everywhere.

The world will be better and brighter to see brave Lithuania free again.

SENATOR NELSON TESTIFIES AGAINST WARRANTLESS SURVEILLANCE

Mr. PROXMIRE. Mr. President, on May 9 my colleague the gentleman from Wisconsin, Mr. GAYLORD NELSON, testified before three Senate subcommittees investigating the Government's use of wiretaps and other electronic surveillances without a court warrant in so-called "national security" cases. Senator NELSON argued forcefully that the use of warrantless surveillances for "national security" or other reasons is unconstitutional. To demonstrate the dangers of such warrantless surveillances, he cited numerous examples of how the Government has used them to spy on individuals who had not violated any law and whose activities did not endanger national security.

Senator NELSON has introduced legislation to prohibit all warrantless wiretaps and other electronic surveillances for "national security" reasons or any other purpose. In his testimony the Senator explained how this proposal would insure respect for the individual freedoms guaranteed by the Constitution.

Mr. President, Senator NELSON's testimony on this pending legislation deals with fundamental issues now confronting Congress and the American people. I believe that every Member of Congress will find his arguments informative and convincing.

I ask unanimous consent that the text of Senator NELSON's testimony be printed in the RECORD.

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

TESTIMONY OF SENATOR GAYLORD NELSON

Approximately 30 years ago Supreme Court Justice Felix Frankfurter observed that "The history of liberty has largely been the

history of observance of procedural safeguards."

None of us, least of all those of us in Congress, can afford to ignore that declaration today. For the Senate Watergate hearings, investigations by periodicals as well as other congressional committees, and now the transcripts of White House conversations, have exposed in shocking detail the government's steady encroachment on individual liberty. The government wiretaps telephones, installs electronic bugs, and spies on the activities of law-abiding citizens—with little or no concern for the individual's right to privacy and other constitutional liberties.

This government snooping presents a fundamental danger to our constitutional system. A society cannot remain free and tolerate a government that can invade an individual's privacy at will.

The time has therefore come for Congress to stop toying with words and adopt procedures to end the abuses of government spying. Indeed, action by Congress in this critical area is long overdue. Further delay is inexcusable. Remedial legislation should include at least two basic steps: first, a ban on all wiretapping which is not approved by a court order based on probable cause; and second, creation of a bi-partisan, joint committee of Congress to oversee all government surveillance activities so that Congress can determine whether the government is complying with the law and whether additional legislation is needed to protect individual freedoms from government snooping.

The urgent need for such congressional action can be appreciated by referring to only a few of the incidents exposed by the Senate Watergate Committee and various other reports:

On April 14, 1971, it was revealed that the FBI had conducted general surveillance on those who participated in Earth Day celebrations in 1970. These celebrations involved tens of thousands of citizens, state governors, representatives of the Nixon administration, and members of Congress. As the one who planned that first Earth Day, I cannot imagine any valid reason for syping on individuals exercising their constitutional rights of speech and assembly in a peaceable manner. There is still no satisfactory explanation of the surveillance. Nor is there any guarantee it will not be repeated in the future.

A 1973 Senate subcommittee report detailed the extensive spying secretly conducted by 1,500 agents of the U.S. Army on more than 100,000 civilians in the late 1960's. This surveillance was directed principally at those suspected of engaging in political dissent. No one in the Congress knew about this spying. No one in the executive branch would accept responsibility for it. Again, there is no guarantee that this sorry episode will not be repeated. In fact, a Senate committee learned recently that in the last three years—after the administrtion assured the public that the military would no longer spy on civilians—the U.S. Army has maintained numerous surveillance operations on civilians in the United States. And an article in *The New Republic* magazine of March 30, 1974, detailed the U.S. Army's use of wiretaps, infiltrators, and other surveillance techniques to spy on American citizens living abroad who supported the presidential candidacy of George McGovern. The Army's spying was reportedly so extensive that it even intercepted a letter from a college librarian in South Carolina who requested information about a German publication.

On December 5, 1973, Retired Rear Admiral Eugene LaRocke revealed the existence of a secret unit in the Pentagon which engages in the same kind of activities conducted by the White House "plumbers".

Testimony before the Senate Watergate Committee and the Senate Judiciary Committee documented White House efforts to use confidential tax returns of thousands of individuals to pry into the private affairs of and harrass its "enemies."

For many years constitutional authorities and other citizens have repeatedly expressed alarm over the rapidly expanding practice of governmental invasion of privacy by wiretapping, data collection, and other forms of surveillance. In 1971 I introduced legislation to estabilsh a joint congressional committee to control government snooping. Three years have passed without hearings on this legislation. In this session of Congress I have introduced three separate bills designed to remedy the abuses of government spying. One of these measures—a bill to prohibit the use of wiretaps without approval of a judicial warrant in so-called "national security cases"—is pending before the Senate Judiciary Committee and is of particular relevance to these joint hearings. Accordingly, the remainder of this testimony will be devoted to a discussion of that bill, entitled the "Surveillance Practice and Procedures Act of 1973," and related legislation.

The bill is a direct response to abuses in so-called "national security" cases. Last May it was revealed that in 1969 the White House by-passed established procedures and installed wiretaps on the telephones of 13 government officals and four newspaper reporters. The purported basis of these "taps" was a concern that sensitive information was being leaked to reporters by government officials. The government, however, did not obtain a judicial warrant before installing the taps. The government alone decided to tap and for how long.

Close scrutiny of these 17 surveillances can demonstrate that warrantless wiretaps for so-called "national security" reasons are dangerous and quite clearly, unconstitutional. In these particular cases, no grand jury was asked to investigate violations of the law arising from the alleged leaks. No probable cause was established that any of the individuals involved had committed a crime. None of the individuals involved were ever prosecuted for violations of the law.

In short, there is no public evidence that any of the 17 individuals tapped violated the law. Indeed, subsequent investigations have shown that some of the government officials involved did not even have access to sensitive information. It was also learned that two of the taps were maintained long after the individuals involved had left government service and joined the presidential campaign staff of Senator Muskie.

In one of these latter cases—that involving Morton Halperin, a former member of the National Security Council staff—the tap was maintained for 17 months after he left government service. Between the time the tap was initially approved and the time it was terminated 21 months later there was never any review by the government to determine whether the tap was justified. During that 21-month period, every conversation on Mr. Halperin's telephone—including those of his wife, his children and his friends—was overheard, transcribed, and then reportedly transmitted to the White House. The tapped conversations did not provide any evidence that Mr. Halperin was engaged in any criminal activity.

A high-ranking representative of the Justice Department has recently testified before a House Judiciary Subcommittee that the Halperin tap does not constitute an abuse. In support of this bald assertion, the government official cited only the President's power to do whatever he deems necessary to protect "national security."

The grave danger of this explanation is exposed clearly and dramatically in the recently released transcripts of the White House conversations. Spread throughout the White House transcripts are conversations of the President and his staff on the tactic of using the claim of "national security" in order to conceal or justify illegal activities and violations of individual freedoms guaranteed by our Constitution. (See White House transcripts at pages 124–25, 155–58, 220–222, 333–37, 780–82, 802, 816–17, 883, 1216.)

Consider, for example, the conversation concerning the break-in of Daniel Ellsberg's psychiatrist's office by the White House "plumbers." The President himself has publicly acknowledged that that break-in was illegal. When the President is informed of the break-in, apparently for the first time, on March 17, 1973, he remarks that "Ellsberg was not our problem." (Tr. 158.) In a later conversation, concern is expressed that Howard Hunt might confess to his participation in the break-in and expose White House involvement. A question is then raised by the President as to how such White House involvement might be explained. John Dean suggests that the President "might put it on a national security grounds basis." The President apparently accepts the suggestion and states, "National Security. We had to get information for national security grounds." Dean subsequently observes, "I think we could get by on that." (Tr. 221.)

Another example concerns warrantless wiretaps which were installed on the telephones of Joseph Kraft and other reporters in the last few years for so-called "national security" reasons. These taps were discussed on April 16, 1973, in a conversation between the President and John Dean. Dean had already discussed with the prosecutors his involvement in the Watergate cover-up and was preparing to testify before the grand jury. After advising Dean to tell the truth when he testifies, the President admonishes Dean not to testify about certain "electronic stuff" in the "leak area" which involves "national security" matters. Apparently, the President's reference is to electronic eavesdropping which, in his opinion, should not be publicly disclosed. The President explains that the electronic eavesdropping concerned "leaks from the [National Security Council]. They were in Kraft and others columns and we were trying to plug the leaks and we had to get it done. . . ." (Tr. 802.) No mention is made of the fact that neither Mr. Kraft nor the other reporters were even suspected of violating the law.

The President does observe in passing that the electronic eavesdropping of the reporters was not done through the FBI but through "private sources." (Tr. 802.) The identity of these "private sources" is not disclosed. Nor is there any indication as to whether these "private sources" had the lawful authority to engage in electronic eavesdropping for "national security" reasons or any other purpose.

More information is needed before anyone can render a final judgment as to whether President Nixon sought to invoke "national security" to conceal or justify illegal activities. Whatever the final judgment, the While House transcripts make one fact abundantly clear: President Nixon, like Presidents before him, *could* have invoked the term "national security" to prevent the Congress, the courts and the public from learning about illegal wiretaps and other criminal activities.

The vital question is not whether President Nixon is innocent or guilty of wrongdoing. It is not simply a question of whether President Nixon should or should not be impeached. Rather, the matter concerns a fundamental deficiency in our political system which will remain intact unless Congress takes corrective action. If any President can invoke the catch-all phrase, "national security," to violate the individual's right to privacy and other constitutional liberties, then the whole foundation of our constitutional system is imperiled.

In understanding this point, it should be emphasized that the use of so-called "national security" taps has not been confined to the present administration. Democratic

and Republican administrations since the 1930's have used such taps to spy on law-abiding individuals. Information gathered by the Senate Subcommittee on Administrative Practice and Procedure in 1972 showed that in one year warrantless surveillances for so-called "national security" reasons remained operational for an average period of 78 to 209 days. That subcommittee's report, as well as other public documents, indicate that since the 1930's thousands of individuals have had their telephone conversations intercepted for so-called "national security" reasons.

In view of these facts, it is easy to realize why those sensitive to civil liberties have always objected strenuously to warrantless wiretaps. Such taps enable the government to exercise unchecked and unreviewed power over the individual. There is no opportunity for a court, the Congress, or the public to demonstrate that the taps are unreasonable. For this reason, Supreme Court Justice Oliver Wendell Holmes called them "dirty business." In my view, such taps are also unconstitutional.

To understand the basis of this opinion it is necessary to examine the language and judicial interpretations of the Fourth Amendment. That amendment states quite simply that

"The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized."

The purpose of this amendment is clear. It is designed to protect an individual's privacy from unreasonable invasion by the government. To afford this protection, the amendment contemplates that a neutral court—not the government—will determine whether any search and seizure planned by the government is reasonable. Otherwise the government would be both advocate and judge of its own case.

One need not be an historian or a lawyer to recognize that this right of privacy is fundamental to our system of democratic self-government. This right places an individual's thoughts and beliefs beyond the reach of the government. It safeguards each individual's right to speak and write freely in the privacy of his home or office.

The Fourth Amendment thus limits the power of the government. Like the other amendments in the Bill of Rights, it reflects the Framers' intention that individual liberty, rather than unrestrained governmental power, be the hallmark of our political system. In his dissent in the 1928 Olmstead case Supreme Court Justice Louis Brandeis articulated the importance of the Fourth Amendment in our scheme of government:

"The makers of our Constitution undertook to secure conditions favorable to the pursuit of happiness. They recognized the significance of man's spiritual nature, of his feelings and of his intellect. They knew that only a part of the pain, pleasure and satisfactions of life are to be found in material things. They sought to protect Americans in their beliefs, their thoughts, their emotions, and their sensations. They conferred, as against the Government, the right to be let alone—the most comprehensive of rights and the right most valued by civilized men. To protect that right, every unjustifiable intrusion by the Government upon the privacy of the individual, *whatever the means employed,* must be deemed a violation of the Fourth Amendment." (Emphasis added).

A right so vital to an individual's peace and happiness cannot and should not be entrusted to the guardianship of a government which can act in secret. This, in a word, is the message of the Fourth Amendment.

It should be emphasized that the Fourth Amendment's protections apply to all government searches and seizures. The language of the amendment neither states nor implies an exception for national security cases or any other circumstance.

In the 1967 *Berger* and *Katz* cases, the Supreme Court held that the Fourth Amendment applies to wiretapping for criminal purposes. In effect, these decisions required the government to obtain an approving judicial warrant before it could install a wiretap in a criminal investigation.

In the 1972 *Keith* case the Court, by an 8–0 vote, decided further that the government could not wiretap individuals without a judicial warrant even when the individual's activities threatened the nation's "domestic security." Again, the Court made clear that wiretaps must adhere to the safeguards delineated by the Fourth Amendment:

"Though physical entry of the home is the chief evil against which the wording of the Fourth Amendment is directed, the broader spirit now shields private speech from unreasonable surveillance."

The Supreme Court has not yet decided whether the Fourth Amendment's protections apply to cases involving the activities of foreign powers and their agents. In the *Keith* case, the Court stated explicitly that it did *not* consider those situations where American citizens have a "significant connection" with foreign powers and their agents.

Because the Court has not ruled on these "national security" taps, the present administration maintains that it may install warrantless wiretaps in certain situations. In a September 1973 letter to Senator William Fulbright, Chairman of the Senate Foreign Relations Committee, then Attorney General Elliot Richardson stated that the administration would continue to install warrantless wiretaps against American citizens and domestic organizations if the administration believes their activities affect "national security" matters.

Mr. Richardson's comments apparently still reflect administration policy. In testimony before a House Judiciary Subcommittee two weeks ago, a representative of the Justice Department stated that at any given time the government maintains approximately 100 warrantless wiretaps for so-called national security reasons. The department official also acknowledged that at least some of these taps include surveillances of American citizens.

Congress should no longer tolerate the use of warrantless wiretaps for "national security" reasons. Such wiretaps have always posed and continue to pose a fundamental threat to the individual's right to privacy and other individual freedoms guaranteed by our Constitution. Such wiretaps enable the government to exercise arbitrary power over the individual—and that is the very definition of tyranny. Action should therefore be taken to insure that the right to privacy and other constitutional liberties do not become victims of the electronic age.

To that end, Congress should enact legislation incorporating at least four basic elements.

First, before it could wiretap American citizens for national security reasons, the government should have to obtain a judicial warrant based on probable cause that a specific crime has been or is about to be committed. In establishing probable cause, moreover, the government should be required to provide independent evidence supporting the need for a wiretap. A court should not be able to approve a wiretap merely because the government asserts a need for one.

Second, before the government could wiretap a foreign power or its agents, it should have to obtain a judicial warrant based on the belief that the tap is necessary to protect national security interests. The warrant standards for foreign powers and their agents should thus be less rigorous than those required for American citizens. This warrant requirement would in no way undermine the government's ability to protect against foreign attack or subversion; the government will be able to wiretap foreign powers and their agents any time there is a need for such surveillance.

The justification for this second warrant procedure is plain. The government's desire to wiretap should be reviewed by a court. There should be no exceptions. Otherwise the exceptions may be stretched to sanction an unreasonable invasion of an individual's privacy—a situation which would violate the rights and liberties guaranteed under our Constitution.

Third, everyone who is wiretapped, except foreign agents, should be informed of the surveillance within 30 days after the last authorized interception. This procedure would assure virtually every wiretapped individual the opportunity to protect against violations of his or her constitutional rights. The disclosure of the wiretap should be postponed, however, if the government satisfies the court that the person wiretapped is engaged in a continuing criminal enterprise or that disclosure would endanger national security interests.

These first three elements are embodied in the Surveillance Practices and Procedures Act. A fourth element of reform is included in two pieces of legislation introduced by me. One of these measures—S.J. 124—is now pending before the Judiciary Committee. This bill proposes the establishment of a bipartisan Joint Committee of Congress to oversee national security wiretaps and all other government surveillance activities. At least once each year, representatives of the FBI, the IRS, and other governmental departments and agencies would be required to testify under oath about all surveillance activities conducted by their respective departments and agencies. Through this procedure, Congress can determine whether the government is complying fully with applicable laws, whether the courts are diligent in exercising their review responsibilities, and whether additional legislation is needed to protect individual privacy from the abuses of government snooping.

In considering creation of a congressional oversight committee, Congress should not yield to self-serving assertions that the power to protect "national security" is the sole province of the Executive Branch and that Congress has no right to sensitive information concerning national security surveillances. The responsibilities of Congress are at least as broad as those of the President in the realm of national security. Congress—not the President—has the power to declare war. Congress—not the President—has the power to raise and support armies and navies. Congress—not the President—has the power to call forth the militia to suppress insurrections and repel invasion. Congress—not the President—has the power to appropriate money for all government activities, including those relating to the nation's security. And Congress also has the power—as well as the responsibilty—to protect individual privacy and other freedoms guaranteed by our Constitution. Having been granted these powers, Congress should obtain the information necessary to insure that they are exercised wisely.

In the end, there should be no dispute about the need for congressional action to control government snooping. The danger has been exposed. In wiretapping, as in other matters, unchecked power can be and often is exercised in an arbitrary and abusive fashion.

It is not a question of good faith. Even the best of intentions can lead individuals—and their government—astray. If Congress wants to insure respect for constitutional

limitations and constitutional liberties, it should not rely on the good will of government officials; it should enact legislation which defines clearly the government's obligations and the individual's rights. This is at least one lesson of Watergate. Time will tell how well Congress has learned the lesson.

THE WORLD FOOD SUPPLY

Mr. DOMENICI. Mr. President, while other matters have dominated headlines in recent months and days, one of the most important stories of this year, and of the future, is now unfolding overseas—the imminent death by starvation of millions of persons.

My distinguished colleagues on the Special Committee for Nutrition heard testimony Friday from Dr. Norman Borlaug, the man who helped make the "Green Revolution" a reality for many developing nations. This Nobel Prize winner reiterated what we have been reading, and seeing on television, for several weeks: a worldwide food crisis is upon us.

The economics, ecology, and energy considerations of providing food for the world's population are complex and open to various interpretations. However, best experts now believe that the long-term outlook is poor. Dr. Gerald Thomas, president of the New Mexico State University, Las Cruces, N. Mex., has written a recent article for "Res Publica," a public affairs quarterly published by Claremont Men's College. This interesting issue—Spring, 1974—also contains articles by my distinguished colleagues, Senators MIKE MANSFIELD and CHARLES PERCY. I recommend them.

However, I would challenge all of you to read the article by Dr. Thomas, and then ponder the issues this distinguished scientist raises. His rational, scientific approach to all sides of the food problem make this article invaluable.

I would especially point our Dr. Thomas' short analysis of the relationship of energy needs and food habits. His article makes clear that a fundamental change must take place in this world's eating habits, and especially in this Nation's eating standards, if we can expect the world to feed itself without ultimately fatal dislocation of the world ecology.

Dr. Thomas' thoughts should strengthen our resolve to meet the food crisis head on with a rational long-range set of actions that will balance man and his activities with the demands, and irrevocable laws, of the rest of this small planet.

I ask unanimous consent that Dr. Thomas' article be printed into the RECORD.

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

COUNTDOWN FOR THE WORLD FOOD SUPPLY: THE TIME TO WEIGH THE ENVIRONMENTAL COST OF EATING IS TICKING AWAY

(By Gerald W. Thomas)

What we eat, where we eat and how we eat does make a difference—not to economics, politics, culture or nutrition, but to environmental matters, to the ecology of food production and utilization.

Changes in the diet and food habits of Americans have resulted in differential use of resources, both depletable and renewable resources. Changes in our diet have resulted in increasing problems of pollution and have played a substantial role in bringing America into an energy crisis. These changes must become a major concern of every aspect of the food industry, as well as the American consumer.

An even broader question, one that has worldwide implications is this: Can the world afford to feed itself? The question is not can the world feed itself but rather can it afford to feed itself. In other words, will the world environment withstand the pressures caused by the modern technological changes that are necessary to satisfy man's needs for new processed, balanced foods and their associated packaging and delivery systems?

CONTAMINATED ENVIRONMENTS AFFECT FOOD

Much of the recent talk about the environment has been very pessimistic, perhaps too pessimistic. The average citizen must believe that if the pessimists aren't happy now, chances are that they never will be. Only two possibilities should bother us—one, that things may never get back to normal, and the other, that they already have!

During the past few years we have witnessed several remarkable changes in the outlook toward world food production: from the depressing expectations of William and Paul Paddock, who predicted famine in 1975, we have progressed to a new optimism, as expressed by the advent of the Green Revolution.

The Green Revolution refers to the increased production that has resulted from the introduction of the recently developed high-yielding cereal varieties, mainly rice and wheat, into the less-developed countries in Asia, Africa and Latin America. In November, 1971, a headline in a national magazine stated, "The famine threat is fading in many parts of the world. The reason: scientific breakthroughs—and good weather."

Recently, another dimension has been added to the philosophical debate over the world food problem—another shift back toward pessimism. This has come about as a result of inputs from the science of ecology. Can the world afford to feed itself? Is a much more serious question, because a contaminated environment affects the welfare of rich and poor alike, whether we are well nourished or going hungry. It is also a more difficult question to answer, because we lack sufficient research information.

It is apparent from this analysis that we are nearing the upper limits of world population growth. A massive worldwide effort must be made to curtail the population explosion and bring people and resources into balance. Uncontrolled population growth is rapidly eroding scientific progress, creating unprecedented problems of malnutrition and reducing the effectiveness of millions of dollars in aid to undeveloped countries. In addition, most of man's activities, whether we realize it or not, have some detrimental effects on our environment. These effects are already very serious, but they will reach much more critical stages before the world population approaches the 6.5 billion level predicted to be attained by the year 2000.

Let us consider the food habits of the individual in our society in relation to the basic resources required to sustain that individual. Let us compare North America's food habits with those of people in such areas as Africa or Asia or Latin America. Let us examine the changes in our own food habits and production systems over the past 50 years and relate these changes to the pressure on the environment. In other words, we need to ask—and answer—at least the following questions:

How do our diet and our way of life impact on land resources?

How do our diet and our standard of living impact on our water requirements?

How do our diet and our approach to food production and food services relate to the energy crisis?

What is the impact of our food habits on air pollution, waste disposal and other environmental issues?

2 BILLION PEOPLE USE RICE AS AN ENERGY BASE

Throughout man's history, food scarcity has been an accepted fact of life. According to recent estimates, it still is a crucial fact for more than half of the world's 3.8 billion people. As recently as 1943, famine took the lives of 3 million people in India and another 3 million in China. Today's newspapers still carry depressing reports of widespread hunger in impoverished sections of Asia, Africa and Latin America. In March of last year an article in *U.S. News and World Report* was headlined, "Asia's Trouble Returns: Too Many Babies, Too Little Food." And a recent headline in the *Houston Chronicle* reported, "World Experiencing Greatest Peacetime Food Shortage." Obviously, the Green Revolution hasn't provided all of the answers.

The most basic food concern of man is quantity—adequate bulk to dull the pangs of hunger. Where food is available, the total daily intake per person is about 4.5 pounds. This total does not change significantly through the years. The average resident of the United States, for example, eats only 100 pounds per year less now than he did 50 years ago.

Unfortunately, quantity of food is not the only factor that must be considered in planning for an expanding population. Balanced nutrition is also of utmost importance. There are striking differences in the diets of people in various parts of the world. Some of these variations are due to the lack of an adequate or balanced food supply; some have been adopted by virtue of tradition or religious beliefs; some have been influenced by medical or dietetic advice; some are related to economic status; and some merely reflect the latest fad.

Most of us in the United States enjoy the daily luxury of good meals, but what are other people in other countries eating?

More than 2 billion people depend on rice as their food-energy base, while we rely largely on wheat, corn and other cereals. Rice is a good cereal, but rice for every meal could be monotonous. Americans consume large quantities of meat—especially beef, which is much too expensive (or unobtainable) for several billions of people in the world. To the Masai of Africa, the fresh blood of live cattle is a major protein source. Some people in Chad celebrated recently because an invasion of grasshoppers had provided a food delicacy for their village. In the Mediterranean area, mutton is cooked directly over cow chips and in Nairobi the meat shortage has spurred the sale of camels.

Those exotic foods we read about in Polynesia or China or South America are only for the exclusive few, or for tourists who can afford their proper preparation. The masses of people in those areas have poor diets, sometimes with enough bulk, but usually inadequately balanced.

The big change in diets in the United States since its settlement has not been in total quantity, but in the kinds of food eaten. These changes in our diets have placed heavy pressures on our resource base.

With the exception of lamb, per-capita consumption of meat in the United States has increased rather consistently. Beef consumption alone has increased from 48 pounds per person per year in 1930 to more than 115 pounds per person per year today. Each person consumes more fruit, with a shift from apples to more citrus and processed fruits. We eat fewer eggs and less of dairy products, but sugar consumption per capita is up.

Two rather significant changes deserve special comment. First, direct consumption of

cereal grains is down. However, the statistics behind this statement are misleading, because some of the grains are going instead into meat production and into highly refined packaged products. The second change has to do with the potato. This important food product has shaped the lives and destinies of people and nations. While Idaho has become nationally known as the potato state, the potato is not native to Idaho. Neither did the Irish potato originate in Ireland. Rather, the wild forms of potato originated, and were first collected and cultivated, by the native Indians near Lake Titicaca in the Andes Mountains of South America. Early Spanish explorers brought the first small potatoes, or "earth nuts," to Europe about 1570.

POTATO SUBSTITUTES ARE CREATING PRESSURE

The potato became, in time, such a popular article in the diet of the Irish that eventually it was grown there almost to the exclusion of other crops. The superabundance of an easily produced food also caused a population explosion on the island. The combination of these two factors led to the disastrous famines of 1845–1846, when a blight killed the potato crop. One million people in Ireland died of starvation during this potato famine, and many more emigrated from the country.

At the time the potato reached Europe, the Spanish conquistadores were intensely preoccupied with exploiting the natural resources of South America. In spite of their overriding concern for precious metals, in all likelihood the real treasure they introduced to the rest of the world was the potato—because the value of the world's annual yield of potatoes (some 6.5 billion hundredweight) far exceeds the value of all the gold and silver that were ravaged from the South American continent during the centuries of conquest. Today, the average American consumes about 112 pounds of potatoes per year—only about half the level of consumption reached in this country during the early 1900s. And, ecologically, the need to provide substitutes for potatoes—as well as for cereals—has placed increased pressure on the environment.

To understand the pressure that man's food requirements place on the land resource, it is necessary to examine a few basic statistics. Only about 29 percent of the earth's surface is land area; water covers the rest. Much of the land area is too cold, too hot, too dry or too high for traditional agricultural use. If we study more closely that important portion of the land that is arable, we find a critical world picture.

It is estimated that, given the present technology of the developed countries, about an acre of cultivated land per person is a desirable ratio if enough food is to be produced for an adequate standard of living. This means that our food needs, whether we live in the city or in the country, are related to this one-acre requirement. At the present time, the Far East has only .8 acre per person and communist Asia has .4 acre per person—leaving little wonder why there are still conflicts over land.

The amount of arable land per person in Latin America is about 1.3 acres; in Africa and West Asia, about 2.3 acres. These latter areas now have a surplus of land in relation to their needs for food.

The United States now has about 1.2 acres of cultivated land per capita and a maximum potential of about 2.0 acres per capita, at the present levels of population. For the world, the cultivated acreage now stands at 3.5 billion acres, or 11 percent of the earth's land surface. The area actually harvested for crops in a given year is considerably less—usually about 2.4 billion acres—due to fallow practices and crop failures. This means that we now have only .65 acre of usable land per person in the world, compared to our need for one acre per person.

EACH PERSON NEEDS 1 ACRE OF CULTIVATED LAND

The Soil Conservation Service after World War II made an estimate of cultivated land needs for a "desirable standard of living," and at that time it appeared that each person required about 2.5 acres of cultivated land. At that time the United States had surplus land, but the world average fell way short of minimum needs. Since World War II, as a result of increased yields and improved production methods, that estimate of a 2.5-acre requirement has been reduced to the present acre-per person level. This represents fantastic progress in agricultural technology, but our population continues to grow. To meet the basic needs of 6.5 billion people by the year 2000, we will need to expand cultivated acreage by 50 per cent and double our yields once more. This is technologically possible, but politically and socially unrealistic.

The history and ecology of man and land permit some broad generalizations:

Improved genetic material in crops, proper use of agricultural chemicals and improved farm technology reduce the land requirement per capita.

Organic farming and the production of so-called natural foods, if practiced on a broad scale, will increase the land requirement per capita. This implies the elimination of agricultural chemicals (synthetic fertilizers, pesticides, etc.) and certain other changes in production practices which likely will reduce per-acre yields.

A vegetarian diet requires a smaller land base than a diet heavily dependent upon meat products. Ecologically, this moves man closer to the producer organisms, in which photosynthesis takes place.

The substitution of many other foods in our diet for the basic cereals and potatoes has increased our land requirements.

Unnecessary waste and unnecessary processing increase the pressures on land and other resources. In India, for example, 25 percent of the food produced on farms never reaches the consumer, because of losses attributable to rodents, insects and waste.

Wealthy people, because of their demand for variety, quality, and highly processed and refined foods, place more pressure on the land resource base than do poor people. An affluent society also demands more land for recreation, housing and many other uses that compete with farming. China and India have problems with millions of poor people, but consider what 630 million affluent Chinese or 550 million wealthy Indians would do to the environment! According to our standards, China has less than half of the minimum productive land required to feed its population.

How much water is required per capita for food production and for man's other needs? We need only about two quarts daily for drinking. Even in the early 1900s, however, our home use of water was about 10 gallons per day. In addition, we need water to produce food, refine oil, manufacture automobiles and operate our growing cities. The United States now uses a total of about 1,270 gallons of water per person per day.

Approaching the question in a different way, we must consider what standard of living we are willing to accept. A recent study in California illustrates the general relationship between standard of living and water use. This study showed that a resident of Beverly Hills used an average of 313 gallons of water per day in his home, compared with 89 gallons per person per day in Compton, where the per-capita income is much lower. Should we be satisfied with 89 gallons or demand 313—or should be get by with the 20 or 30 gallons common to most people of the world in metropolitan areas?

ONE POUND OF BEEF REQUIRES 100 TONS OF WATER

It should be fairly simple to calculate the per-capita water requirements for business, industry and municipalities, but what about water for food production? To grow a pound of wheat in the field will require about 1,500 pounds of water. If we follow this wheat on through the milling process to a completed loaf of bread, we find that more than 2,500 pounds of water are used to produce 1 pound of bread.

As we introduce animal protein or other essentials for a balanced diet, water requirements are increased correspondingly. For example, on some semiarid bush-covered rangelands in the West, from 100 to 500 tons of water are involved in the process of producing 1 pound of supermarket beef. This does not mean that 100 tons of water are required to produce a pound of beef—but it does mean that this much water is involved in or associated with the production of a pound of beef. Much of the water involved in range-beef production is dissipated by undesirable weeds and brush or evaporates from the unprotected soil surface. Also, most of the water necessary to the process of photosynthesis in range plants is transpired through the plant and returned to the atmosphere.

Purely from a water-efficiency standpoint, we can increase the effectiveness of water use for beef production at least 10 times by producing animal feeds on irrigated lands and confining the animals to a dry lot during the production period. But this is only part of the story.

Canada and the United States utilize more than 1,600 pounds of grain per person per year, compared to 400 pounds for Iran, Morocco, Japan, UAR, Pakistan, Thailand and India. This difference in grain use is fourfold; but if the U.S.-Canadian levels were projected across the world's population, worldwide grain use would be nearly eight times that of the present world production. In terms of water use, Canada and the United States would require 1,600 tons of water per person per year to produce their grain needs, but India and Pakistan must get by with 400 tons of water per year—assuming the same level of efficiency.

The United States has increased its beef consumption to more than 115 pounds per person. Japan gets by on about 16 pounds. Even with good efficiency, our water requirements for beef consumption per capita would exceed 1,100 tons, compared with 160 tons per year for the average Japanese.

Thus, it is safe to say that different diets are associated with different pressures on the water resource. This applies to both water quantity and water quality, as we consider the use of chemicals, other production practices, problems of pollution and our technology in processing and delivering foods to the table.

Recently publicity on the U.S. energy crisis has, for the most part, ignored the interdependence of agriculture and energy resources and the impact of an energy shortage on food services. Presently, the gigantic food industry is the largest single user of petroleum products in this country. Large amounts of energy are consumed in the supply sector to provide the farmer and rancher with fertilizers, pesticides, machinery and other inputs; large amounts of energy are consumed in the production sector for planting, cultivation, irrigation, care and harvesting of crops and livestock; and large amounts of energy are consumed in the storage, processing, packaging and distribution sectors of the food industry.

FUEL SHORTAGES LEAD TO FOOD SHORTAGES

Through the use of relatively economical energy supplies, combined with other im-

provements in technology, the American consumer has had substantial benefits in terms of the quantity, quality and cost of food. For example, average expenditures for food in the United States have dropped from 40 percent of annual income in 1900, and 26 percent in 1947, to about 16 percent of annual income in 1973. In contrast, peoples in many countries of the world spend 30, 40 or even 50 percent of their incomes for food. As energy prices increase, the cost of food to the consumer will inevitably rise. Furthermore, a severe shortage of fuel, or even a seasonal limitation at a critical time, may lead to actual food shortages both in this country and abroad.

Two aspects of energy-flow patterns must be considered of vital importance to the food industry: 1) the capture, conservation and utilization of photosynthetic energy produced by vegetation that ends up as food on the table and 2) energy subsidies (largely fossil fuels) to run the food and agriculture systems.

All life on earth is supported by the solar energy in food, captured primarily by vegetation in the process of photosynthesis. This chemical reaction—involving carbon dioxide, water and the sunlight energy required to produce food and release oxygen plus water (through transpiration)—is the most important chemical reaction in the world.

Primitive man harvested wildlife, insects and wild plants for food energy as they became seasonally available. Under these conditions, the number of people capable of being supported by the earth has been estimated as 10 million, a population smaller than that of London or Tokyo today. As man learned to harvest surplus food, domesticate animals and cultivate crops, the carrying capacity of the land increased. The first major increase in carrying capacity resulted from the diversion of surplus photosynthetic energy directly to man from other biological organisms. The next major breakthrough in carrying capacity came about when man found that he could subsidize the system with fossil fuels, and thus increase the effective harest of food and fiber. Through fosil fuel subsidies, and as a result of other technological innovations, total food production on the earth has been increased manyfold.

There are still, however, striking differences in food energy levels among the various peoples of the world. The average daily per-capita consumption of K-calories in food now ranges from about 2,000 in the Far East to more than 3,200 in North America. A daily diet of less than 1,500 K-calories is not uncommon for some of the world's 3.8 billion people. Yet, a desirable standard should be about 3,000 K-calories per person per day, with some variation for age and size of the individual.

If we look at the production of food energy for man on uncultivated lands, we find the present process rather inefficient. On the average, less than 1 percent of the sunlight energy falling on a given area of rangeland is captured by the vegetation during the process of photosynthesis. Less than half of this vegetation can be safely consumed by grazing animals.

Further reductions take place in the process of digestion, slaughter and processing. A study in California showed that 1/1,000 of the radiant energy falling on an area was available to cattle and only 1/40,000 of the original energy reached the food product, meat. However, it is significant to note that the fossil-fuel input for livestock production on rangelands is relatively small because of the little energy required for supplies and production. Mechanized equipment on a ranch consists primarily of motor vehicles, tractors, aircraft used for brush control and mechanical equipment for stock-pond construction. Higher energy costs are associated with feedlots, meat processing and distribution to the consumer. Few reliable estimates of these energy values are available, although it appears that at least 50 calories of fossil-fuel subsidy are needed for a yield of 40 calories of meat. Thus, it is evident that even extensive grazing systems require outside energy in order to place animal products on the table at the consumer level. As the intensity of grazing increases, and as more livestock move through the feedlots and packing plants, higher levels of fossil-fuel subsidy are required.

A significant breakthrough in the efficiency of sunlight energy diversion to man was made when crop cultivation was developed. Thus, man could select and develop crop plants for his specific needs and concentrate cultural practices on achieving maximum production. Under some modern intensive cultivation systems, the efficiency of capturing sunlight energy has exceeded 3 percent, while the theoretical efficiencies of conversion have been calculated at 5.3 percent of total energy and 12 percent for visible-light radiant energy.

USING TRACTORS CHANGES CYCLING PATTERNS

An examination of energy-flow patterns on cultivated lands reveals some interesting historical trends. In some of the developing countries of the world, about 30 to 40 percent of the energy input needed to run the food-producing systems comes from manpower and/or oxenpower, and the net yields are small. This was also true early in the history of the United States. For example, in the early 1900s there were about 27 million horses and mules on farms and ranches in this country. Through the years, farmers have steadily mechanized, and have since substituted 5 million tractors and many other forms of power equipment for about 22 million of these horses and mules. As a measure of progress, we can point with pride to the fact that, in so doing, we have released about 72 million acres of land, which formerly would have been required to feed the horses and mules, for direct food production for humans. In addition, we have increased efficiency and output per acre. However, as a result of this increase in efficiency in using croplands in the United States, energy cycling patterns have been significantly changed. Horsepower, mulepower, oxenpower and manpower operate on solar energy—an infinite resource, for all practical purposes. Tractors and machinery utilize fossil fuel—a depletable resource.

ENERGY NEEDS COULD CHANGE OUR FOOD HABITS

Although solar-energy capture takes place only at the farm and ranch level, fossil-fuel energy subsidies are required throughout the system. Energy is consumed in the preparation of agricultural chemicals, fertilizers, farm machinery, seed and other supplies; energy is consumed in the processes of planting, cultivation, and harvesting; and large amounts of energy are consumed in processing, storage, packaging and transportation before the finished product reaches the consumer. At the consumer level, large amounts of energy are also used in cafes, restaurants and homes to put the food on the table and to clean up for the next meal. In the United States, estimates indicate that more than 10,000 calories of fuel are required to help capture 3,000 calories of food and place it before the consumer. Other estimates of fossil-fuel subsidy range up to 10 or more calories of fossil fuel for each food calorie produced. From an ecological viewpoint, these ecosystems cannot be sustained unless adequate substitutes for fossil fuel can be found.

As energy becomes a more critical concern of man, certain changes could and should be made in our food systems and in our food habits:

We should increase our research on photosynthesis in order to capture more sunlight energy in the process of growing food crops.

We should conserve this photosynthetic energy, as it moves through the gigantic food industry, in order to maximize the percentage that reaches the table of the consumer. This means eliminating unnecessary waste and reducing unnecessary processing and packaging.

We should examine the fossil-fuel energy subsidies that go to the agricultural industry and conserve energy in the supply sector, in the production sector on farms and ranches, and in all aspects of storage, processing, service and delivery.

We should examine our own diets and food habits as they impact on the two major energy sources—photosynthesis and outside energy subsidies.

We must find a substitute for depletable resource fuels. Ultimately, our ecosystems must be designed to run on renewable resources.

If the question is Can the world feed itself with a satisfactory standard of living?, the answer is yes. It is technologically possible, given the present population, and maybe by the year 2000. But, if the question is From an ecological viewpoint, can the world afford to feed itself?, the answer is a resounding no —unless. . . .

Unless we bring population growth under control, unless we compromise the standard of living and/or level of nutrition for millions of people, unless we develop new cultivated lands and increase crop yields, unless we reduce our demands for recreation and open space and reduce the encroachment of cities and industries on good farmland, unless we find better ways to conserve and recycle water, unless we find better ways to reduce pollution and recycle solid wastes, unless we find adequate substitutes for fossil fuels and unless we do a better job of conserving and utilizing the food made available through nature's magic formula—photosynthesis.

Indeed, what we eat, where we eat and how we eat does make a difference.

ADDRESS BY HON. WILLIAM B. SAXBE, ATTORNEY GENERAL, AT COMMENCEMENT EXERCISES, OHIO STATE UNIVERSITY LAW SCHOOL

Mr. MATHIAS. Mr. President, on June 6, our former colleague, Attorney General William B. Saxbe, spoke at the commencement exercises for the Ohio State University Law School. It is a very thoughtful and direct speech written in the open manner we had come to know when he was with us in the Senate. I was struck by many of the thoughts in the address, particularly in a passage addressed to the graduating class when he said:

You can make an impact on the quality of politics at the local and state levels, and all the way to the top. There will be many chances to make a contribution. Sometimes it will be by saying *no* to overtures you know or suspect are improper. And sometimes it will be by seizing opportunities that otherwise would lie fallow. All of this requires that you be constantly on the alert.

And that is really what every citizen has to do as well—be on the alert for misdeeds and be constantly aware of chances to enhance standards and conduct.

If we are tough-minded about the business of protecting our liberties, then perhaps we have a chance to prevent the Watergates of the future.

Attorney General Saxbe's words should prove a guideline in the work that both the Justice Department and the Congress have before them in the coming months. Attorney General Saxbe, as the Senate knows, has already endorsed S. 3340, introduced by Senator ERVIN, myself, and Senators MANSFIELD, JAVITS,

HART, and PEARSON, and is working in close cooperation with the Special Committee on National Emergencies and Delegated Emergency Powers to insure that effective legislation covering emergency powers can be brought before the Congress for passage in this session.

The Attorney General is known for his forthright views, and I ask unanimous consent that this thoughtful speech be printed in the RECORD.

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

ADDRESS BY THE HONORABLE WILLIAM B. SAXBE, ATTORNEY GENERAL OF THE UNITED STATES

Three years ago, I had the pleasure of delivering the Orientation Lecture to your law class. It is now an even greater honor to speak at this Hooding Ceremony on the eve of your commencement.

My interest in the College of Law here goes beyond my relationship with this class because this is where I studied and received my law degree, and, as many of you know, my youngest son is enrolled in the law school. But I do have a particular interest in your law class, stemming from the opportunity to meet with you during the orientation in 1971.

A great deal has happened in these intervening years—to you and to the Nation.

You have prepared yourselves for careers in the law. Your new responsibilities are enormous—a sobering fact that will become more apparent as time goes on.

The Nation has undergone marked changes in the conduct of its affairs and has been confronted by a series of momentous events.

Whatever successes the country has fashioned or failures it has suffered, one fact of paramount importance stands out: We now live under what I believe historians will conclude is the greatest cloud in our history.

Its name is short—Watergate. But the facts that are known, and the implications springing from them, make it apparent that Watergate has had a monumental effect on the Nation.

The impact on the legal profession is particularly acute. Public perception of attorneys and their confidence in attorneys should be of special interest to all of us who devote our lives to the law.

Unfortunately, confidence in the legal profession has diminished, as it has in other institutions which have been major sources of strength for this country. It is all too apparent that, when put to the test, lawyers too, have been found wanting.

Most men and women in the legal profession love the law and cherish what it stands for. But it is also fair to say that as a group, attorneys often have the trait of hunkering down to wait for the crisis to blow over. And then they continue business as usual.

There is frequently an impulse to put on blinders and to say that many of the ways of carrying out public duty which have grown up over the years are really not bad practices.

The sad fact is that there are a lot of bad practices. We have come to accept things in public life and in politics that simply have no place there. The list is a long one: Lying to the people; twisting the truth; using public position for private gain; failing to do those things which the oath of office requires. And I could list more.

For decades, many persons in public life have attempted to shift responsibilities elsewhere—often saying that the bad practices are simply our traditional ways of doing business.

This is no longer a viable position, if indeed it ever was.

Responsibilities of the most important sort rest upon each of us—no matter what role we may have in society.

There is often a tendency to blame the news media, contending that their muckraking is the result of bad motives or a quest for power. We should not allow ourselves to follow false scents. Too many hard facts are known—if we just take the time to look at them—to permit anybody but the most narrow-minded to believe that we have never had it so good.

Without in any way commenting on the cases, let me simply recount a few things known to any newspaper reader:

The Special Prosecutor's Office lists a dozen attorneys charged in cases it is handling.

Six of them have entered pleas of guilty. One is a former Attorney General, who pleaded guilty to a charge of refusing to testify to a Senate Committee. Never before has a United States Attorney General been found guilty of criminal conduct. Two others were on the White House staff.

Of the remaining attorneys under indictment, another is also a former Attorney General—acquitted at one trial but still facing other charges.

In addition, a number of non-lawyers have been indicted on charges relating to alleged offenses committed while holding positions of high trust.

In studying the dimensions of the over-all crisis facing the Nation, we have to look beyond the rolls of Watergate indictments.

The legislative branch is also involved in a matter of utmost importance.

The President is now the subject of hearings before the House of Representatives involving the most grave aspect of the Constitutional process—the possibility of impeachment.

It may be some time before the House reaches a decision on the issue under consideration. But it already has had a deep impact on the Nation.

Other unsettling events also have occurred. Not many months ago, for instance, a Vice President resigned from office and entered a plea of no contest to a charge of tax evasion.

The long roster of difficulties involving public confidence does not stop at the Executive Branch.

Last year, the Department of Justice obtained more than 50 indictments of state and local officials. In recent years, federal cases also included the conviction of three former Congressmen, a former Senator, and a Federal judge.

When I left office as Ohio's Attorney General five years ago, five of my fellow State Attorneys General across the country were either in prison or heading for it.

In recent years, there have been Federal convictions of a former Governor and several state legislators, as well as mayors, city councilmen, and other state and local officials. Numerous prosecutions also have been carried out by state and local authorities of public officials ranging from policemen to prosecutors.

Persons outside of government can also hold positions of enormous public trust and responsibility, and, as we have seen, they can also violate that trust.

Eleven major corporations have entered pleas of guilty during the past year to Federal charges of illegal campaign contributions. Ten business executives have entered pleas of guilty or no contest to similar charges.

In recent years, two men who at different times headed one of the nation's largest labor unions went to Federal prison. And the former head of another large union was convicted not long ago of murder.

Faced with all of these things—and more—no one in public life or private life can afford to hunker down until the storm of public distrust passes by, because it isn't going to be that easy.

The only good that I can see coming out of Watergate is that it will always be there as a goad to our conscience. And in its aftermath, we can set about to fashion new ways—much better ways—of carrying out matters of the public trust.

Watergate should be the watershed for morality for all public officials, both elected and appointed.

That word—morality—seems suddenly popular today—as it always should have been. One of the nation's great tasks is to see that it remains that way.

The road of reform and responsibility lies open to us. It is a high road, a road that can be followed only by adhering to some old-time truths. And that includes honor and ethics, and yes, morality.

There is great ferment and discussion these days about the best in our traditions. Some suggest the old-time truths really are not true any more.

When we hear that, we should ask what the options are. It seems to me they are very limited. We are either truthful or not truthful. We are either honest or dishonest. We are either moral or immoral. And it really doesn't take much soul-searching to know which is which.

Men of goodwill can always disagree—and usually do—about the best ways to carry out tasks that affect the public.

There can be little dispute, however, over the merits of dishonesty, or of breaking the law, or of feathering your own nest—with somebody else's feathers.

My estimate is that political pressures have diminished substantially at every level of government in the wake of Watergate. Those changes for the better should be institutionalized and made a permanent part of society's fabric.

To cite one example, the White House is not trying to get the Department of Justice to do anything for political purposes. Believe me, it wasn't always like that.

But it could always be like that—not just in Washington but throughout the nation—if public officials remain on guard and keep connivers at arm's-length. They've also got to learn to say *no*.

Another essential ingredient is for the public to keep a much closer watch on things. It is not enough to periodically rise up and throw the rascals out. Rascals should not be put in positions of trust in the first place. And those who may have latent tendencies in that direction can be held in check by unrelenting public scrutiny.

The public also should be aware that not all of those who misbehave in positions of trust are merely colorful rascals. Some are men of finely-distilled evil who would do irreparable damage to our freedoms.

Civics texts are filled with discussions of the system of checks and balances involving the Executive Branch, the Courts, and the Congress. It is about time that another balancing force—the public—began exerting greater influence.

For attorneys, the opportunities and the responsibilities are particularly great. The legal profession has a choice, either to become more responsible or to have the public's faith decline even more.

Each lawyer has what might be called a golden trust, something like that of the physician, and no attorney should ever allow himself to be placed in the position of having it turn out to be counterfeit.

Being honest, however, is the very least that is expected of us. A great deal more has to be built on that foundation. Virtually every part of the legal system needs attention.

One particular concern, though it has been recounted many times, is whether there

really are two systems of justice—one for the affluent, the other for the poor.

Evidence accumulated over decades leaves little doubt that such a double standard does exist. Regardless of the facts in each instance, the public perception of justice too often is that the rich man gets favors and goes free while the poor man gets the back of the hand at justice's bar and goes to jail.

What you do in your legal careers is for you to decide. But let me just remind you that a lot of promissory notes for fair and equal justice are falling due—and they must be met.

For its part, I believe that the Department of Justice is carrying out its responsibilities in an even-handed manner and without bias. I also am convinced that the Department is functioning and functioning well.

Its 48,000 employees—nearly all of them in the career service—are able men and women, dedicated to performing in the best traditions of the Department and beyond. Though the Department has been buffeted by events, no fatal wounds have been inflicted.

I hope to help improve that career service, and in particular to enhance the skills of our attorneys. One problem faced by the legal profession today is the standard of conduct by some attorneys when they appear in court. While not yet an epidemic, we do know that misbehavior and flagrant disrespect by attorneys occurs all too often and that judges sometimes have substantial difficulties in keeping order. Such disrespect by attorneys strikes at one of the foundations of our society itself. No such problems are caused by the Department's attorneys. But we do in some instances see a second problem—the level of advocacy skills displayed in the courtroom.

This is not a problem restricted to the Department. I have heard more than one prominent attorney in private practice say he considers lost the day he spent in court. The profession—and the law schools—are going to have to do a great deal more to improve the level of advocacy. In some areas, it is virtually a lost art.

Whatever else the Department of Justice does, it must remain responsive to the people. Proposals have been made recently that the Department be made an independent agency and that a permanent special prosecutor's office be created.

Both steps would be a mistake because they would place essential functions in some sort of limbo beyond the public's recall. Many commissions and administrative agencies set up in the past have as their common trademark a failure to meet the needs of the people.

The basic flaw in those proposals is that they suggest that new systems will correct the weaknesses of men. But defects in character and conscience can be corrected only by men themselves.

Every public official—like every private citizen—has to make a commitment to honor. If he fails, it is like a pebble tossed into a pond and a ripple results. Given enough ripples, they can turn into a tidal wave that engulfs us. The dreary spectacles that result range from Watergate to an attempt to fix a soap-box derby.

The rule of law is what stands between this country and tyranny. Would-be tyrants appear in many guises other than that of the storm trooper. Some in blue jeans are apostles of New Left terrorism. Others wear the hood of the Klansman. And there are some in Brooks Brothers suits.

As Attorney General, I am determined to do everything within my power to help improve our legal system, and to see that the laws are enforced uniformly and without bias.

Perhaps our system's essential element is that the accused be given a prompt and fair trial, with the issues decided on the merits.

One thing the public should keep in mind as Watergate unfolds is that indictments are not the same as convictions, and that even when there are indictments there sometimes are no decisions on the merits because of hung juries.

The scandals during the Administration of President Grant included the Whiskey Ring, whose activities were so widespread that two special counsels were appointed to help prosecute the cases.

While a number of convictions were obtained, the trial of a Presidential aide considered to be a key figure in the Ring resulted in an acquittal.

Fifty years later, Teapot Dome and other scandals erupted in the Administration of President Harding. Special prosecutors were again appointed, and Albert Fall, the Secretary of the Interior, was convicted of taking a bribe. Two prominent businessmen were also tried but were acquitted.

In other cases growing out of the Harding Administration, several more convictions were obtained. But in a landmark case, the trial of Attorney General Harry Daugherty ended in a hung jury and the indictment was dismissed.

By briefly recounting those earlier cases, I simply wish to again make the point that allegations are one thing and convictions are another. We have to accept the verdicts of justice—whether they are acquittals or convictions. Sometimes we also have to accept the terrible inconclusiveness of hung juries.

Those who equate allegations with guilt are deceiving themselves, as are those who believe that any conviction will somehow automatically cleanse the Nation and put us back on the right track.

As we see from history, some measure of scandal has been cleaned up from time to time, only to have other scandals develop. In a sense, corruption is put into mothballs, to reassert itself in different forms in later periods. And in some areas it just seems to go on forever.

Historians are permitted harsher judgments than attorneys, but the benchmarks they provide should be instructive, not only in viewing the past but in trying to forge a better future.

Allan Nevins, in his biography of Hamilton Fish, describes the Grant era this way: "Washington became an irresistible lodestone for crooked men." Burl Noggle in his book, "Teapot Dome," quotes a member of the Senate as saying after the two businessmen were acquitted: "This is emphatic evidence that you can't convict a million dollars in the United States."

None of this makes pleasant reading, even 50 years later. But it is important—if not essential—to look at the unpalatable in order to avoid the unspeakable.

In another book that examined the Teapot Dome era, Harold Faulkner noted this comment of a reformer of the time: "Popular government can be no better than public opinion and the public conscience insist upon." What is astounding is not only the amount of corruption the Nation has tolerated but how quickly it seems to forget what happened and to allow the evil ways to reassert themselves.

Watergate presents the Nation with what are in effect two challenges.

The first, of course, is to see that all of the allegations are resolved through due process of law.

The second matter relates to what happens after Watergate is concluded—after each of the grand juries has issued its findings, after every trial jury has rendered its verdict, after every appeal has been decided.

Will Watergate have so exhausted the Nation that we will turn to other things in an attempt to forget about the tragedy that has befallen us?

Or will the abhorrence of it become so ingrained in the public spirit that we will insist that every person in any position of public trust be honest—and then maintain our vigilence to make certain?

I don't know the answers to those questions. Part of our national record shows that the public has been misled at times. But another part shows that we have made remarkable strides under decent and honorable public figures. The scales seem to tip in some sort of rhythm—from progress to scandal and back again.

It is incredible that we as a Nation have come to expect from some of our people—and also what we will tolerate from them.

The men who left their bare and bloody footprints in the snow of Valley Forge were not fighting to make this Nation secure for generations of predators seeking ungodly power and illicit fortunes.

Nor were the men who sacrificed at Gettysburg, the Marne, the Normandy beachhead, at Porkchop Hill, or in Vietnam.

There is no way to predict what we as a Nation will do after Watergate is concluded, but we had best start doing some hard thinking about it now.

Special responsibilities rest upon attorneys as we try to fashion higher standards in both public and private life. And the challenge to those of you just entering the profession is especially acute.

Attorneys do a lot more than simply hang out a shingle and practice law—as important as that is. Lawyers are in public life in great numbers, both as elected and appointed officials.

You can make an impact on the quality of politics at the local and state levels, and all the way to the top. There will be many chances to make a contribution. Sometimes it will be by saying *no* to overtures you know or suspect are improper. And sometimes it will be by seizing opportunities that otherwise would lie fallow. All of this requires that you be constantly on the alert.

And that is really what every citizen has to do as well—be on the alert for misdeeds and be constantly aware of chances to enhance standards and conduct.

If we are tough-minded about this business of protecting our liberties, then perhaps we have a chance to prevent the Watergates of the future.

But if we ignore past lessons and thus shrug off future perils, the next Watergate may grow to dimensions that *would* prove to be unsurmountable.

Thank you.

PERSONAL PRIVACY

Mr. PERCY. Mr. President, on Tuesday morning, the Government Operations Committee, in conjunction with the Constitutional Rights Subcommittee will begin hearings on a subject of critical importance to every American—personal privacy.

The focus for our hearings is a bill introduced by the committee's distinguished chairman, Senator ERVIN, Senator MUSKIE, and myself to establish every American's right to keep personal information private and to safeguard that right with criminal and civil protections.

The bill is companion to one introduced in the House by Congressman BARRY GOLDWATER, JR., and Congressman EDWARD KOCH, whose efforts I commend. It is the result of a deepening public concern about privacy invasions. These invasions are fast becoming the rule—not the exception—in American life.

The burgeoning abuse of the right of individual privacy results partly from a greatly increased capability of even a

moderately endowed private or public organization to obtain, store, and use vast quantities of information about people. This phenomenal technical information-handling ability is abetted by the absence of regulation—except in the area of credit information. The result is a tremendously increased potential for damaging misuse of personal information—data that the person under scrutiny does not know is so readily available.

But even more important is the startling, ominous propensity of an increasingly powerful Government to use information in ways that hurt individuals directly and dramatically.

In Mendham, N.J., a young high school student, at the suggestion of her social studies teacher, wrote the Young Socialist Alliance in New York City asking for information. Several weeks later an FBI agent visited the school's principal and other people who knew Lori Paton, to make inquiries about her. The FBI made a "notation" in its files about Miss Paton's innocent inquiry, and its agents wrote a memorandum for FBI files recording their "investigation" of Miss Paton. The FBI claimed that its knowledge of the student's inquiry was obtained from surveillance on all incoming mail to the Young Socialist Alliance. Under the law, such a "mail watch" is legal if it does not delay the mail and if it is confined only to data drawn from the outside of the envelope. The critical issue here is the potential lifetime damage to the reputation and career of a completely innocent teenage girl about whom an FBI "notation" and "memorandum" will always exist, unless she succeeds in having it expunged from the files of the FBI.

This is an example drawn from the more normal course of events. The FBI must make hundreds, perhaps thousands of such "notations"—we regrettably cannot know—each week.

POLITICALIZATION OF THE IRS

What about malicious, politically motivated invasion of the right of privacy?

One of the most insidious abuses is attempted use of Internal Revenue Service data for political purposes.

Certain members of the present administration at the outset of its first term, made strong efforts to make the Internal Revenue Service "politically responsive."

A memorandum from White House aide, Tom Charles Huston, to the Assistant to the Commissioner of the IRS of August 14, 1970, refers to a July 1, 1969, White House request that IRS review the operations of "ideological organizations." Huston's August 14 memo asked IRS to report on its implementation of that request. The IRS response, signed by then IRS Commissioner Randolph Thrower and dated September 19, 1970, explains the operations of a so-called "special service group" that had been established in IRS to monitor the tax status of "organizations and individuals promoting extremist views and philosophies." Thrower's rationale for creation of that outfit was that it was necessary "to avoid allegation that extremist organizations ignore taxing statutes with impunity." Mr. Thrower's September 1970 report indicated that by then approximately 1,025 organizations and 4,300 individuals had already been examined by the IRS.

On September 21, Huston wrote to Assistant to the President, H. R. Haldeman indicating strong dissatisfaction with IRS action on the President's July 1969 request. He noted that—

> What we cannot do in a courtroom via criminal prosecutions to curtail the activities of some of these groups, IRS could do by administrative action.

Subsequently, an undated "IRS talking paper" was developed, outlining, from the perspective of the White House, the case against the IRS and its lack of political responsiveness. The document suggests that—

> Walters (who succeeded Thrower) must be made to know that discreet political actions and investigations on behalf of the Administration are a firm requirement and responsibility on his part.

Another suggestion of the "Talking paper" is that Counsel to the President, John Dean, should have assurance that Walters will get the job done.

On June 12, 1972, Charles Colson, Special Counsel to the President, wrote Dean asking for an IRS check on Harold J. Gibbons, a Teamsters Union vice president in St. Louis, whom Colson described as a "McGovernite, ardently anti-Nixon." This document would suggest that a connection between Dean and IRS had indeed been established and that IRS had become more politically sensitive in the manner outlined in the "IRS talking paper."

It is unclear whether there is evidence showing that the IRS did become politically responsive in a manner demanded by the White House. However, we do know that the issue was pressed.

The Joint Committee on Internal Revenue Taxation, which has direct oversight over the IRS, has filed an interim report on its investigation of the matter. This report shows that the subjects of special audits and investigations have not been treated more harshly than other taxpayers. But the joint committee was denied access to files of the Special Service Group. This renders the joint committee's study virtually useless. But, the fact that the politicizing of the IRS was attempted is beyond doubt.

The success of the effort to compromise this key agency's integrity is still in question. But the central question is not the attempt to politicize this agency—dreadful as that is. It is the doubt created in the minds of the American people—justifiable concern that information of an extremely personal nature—might be made available to other agencies, including the White House, for political purposes.

The bill I have introduced with Senator ERVIN to establish and protect personal privacy rights would remedy such abuses.

In the case of the Mendham High School student, the bill would provide her and her parents with ready access to the FBI files about her. She would have the right to examine the records and prove, if she can, the incorrectness of anything in her file. A correcting statement would be added to her file.

To eliminate politically motivated punishment by the Government, the bill would require the IRS to make notations of each instance in which a file was made available to another Government organization or outside person, not having regular access authority. A record of such accession or transfer must be kept.

The privacy right that S. 3418 establishes for individuals is comprehensive.

It establishes the right of a citizen to be informed whether he or she is the subject of private organization or Government files. If the bill passes, in 2 years each individual must be told that he or she is the subject of a data file. At any other time that an individual asks, he must be informed of the fact that he is a data subject.

The bill establishes the right to inspect all personal information contained in one's file, to learn the nature and sources of the data, and the identity of each recipient of personal data.

The bill establishes the right of every data subject to challenge, correct, or explain personal information, to demand an investigation of disputed information, to demand purging of inaccurate information and to include a 200-word personal correction of one's file.

The bill establishes the right to be informed and to give or withhold consent before personal data is given to anyone not having regular access authority. It establishes the right to be apprised of the intended use of information and the consequences of giving or not giving permission.

The bill establishes the right to have one's name removed upon request from any organization's mailing lists. The purpose of this section is to protect citizens from unwarranted harassment.

S. 3418 defines standards for the collection, use, and disclosure of personal information by Government and private organizations. These standards include the following:

Personal information collection is limited to what is necessary for a "proper" function of an organization;

Information should be collected from the individual himself whenever possible;

Categories of confidentiality must be established, with various levels of controlled access to information;

Data files must be policed for accuracy, completeness, and pertinence by the organization maintaining them;

The organization must maintain a list of users having regular access authority;

A complete record of the purposes of every access to any personal information in a system, including the identity of the special access user, must be kept;

Personal information must never be disclosed without specifying security requirements—for example, the level of confidentiality—and obtaining reasonable assurance that those requirements will be observed;

No personal information concerning political or religious beliefs or activities should be collected if it will be put into a Government-operated information system;

Income data should not be keyed to ZIP codes or postal districts; and

Federal agencies are prohibited from requiring disclosure of personal data or requesting voluntary disclosure unless authorized by law.

The bill establishes a five-member Federal Privacy Board that can make and enforce privacy rules for personal data files. The Board is required to establish an annual directory of every personal data system in the country; it is empowered to insure that standards are met and to assist organizations to comply with privacy safeguards. It can make site visits, compel production of documents, hold hearings on violations, issue cease-and-desist orders, delegate authority to States, and hold open hearings on exemptions. It is required to report annually to Congress.

S. 3418 is an excellent beginning for hearings and for the legislative process, and we in the Government Operations Committee will prepare this bill very carefully but expeditiously for floor action during this session.

PROBLEM AREAS

Mr. President, as you know, there are many other bills pending in this body regarding individual privacy. Without exception, they all raise problems in the minds of those of us who want to correct the present lack of controls over personal data.

Our bill is itself not free of flaws; yet, in the give-and-take of the committee room, it can be perfected. Let me cite some of the difficulties in the legislation.

The bill does not establish a mechanism to inform people as new files about them are created. The right to inspect and challenge personal files is almost meaningless if an individual does not know that a file even exists.

Perhaps we should provide that people be notified whenever they become a subject of a new data file.

Another problem is that no limits have been placed on rights to inspect and challenge personal files and to demand investigations of disputed information, and no protection against excessive demands is afforded to organizations keeping data files.

For example, it would be unfair to allow a person to inspect his file every week.

As I noted, the bill requires that information should be collected from the individual himself wherever possible. This is an important provision, since it attempts to assure that the information that is collected is accurate. However, there is a possibility for abuse. If personal information is actually collected directly from the subject in every case practicable, the resulting harassment of individuals may undo the value of the rule by creating another type of violation of personal privacy.

The requirement in the bill that every access to personal data be accurately recorded is unprecedented and very likely would be staggering in scope. There seems to be the unwarranted assumption that thousands of different organizations will independently and correctly establish new standard operating procedures for handling personal information. The implicit administrative burden on government and private organizations is a matter for concern and further consideration. It may be that it is possible to make a number of distinctions that will lessen the burden on organizations, yet establish basic privacy guarantees. One possible distinction is to differentiate among the kind of organizations maintaining data. My legal staff is now working on that difficulty.

This bill provides for a Federal Privacy Board, which would be an independent agency in the executive branch consisting of five members designated by the President and confirmed by the Senate. There is a good deal of doubt about the validity of such an organization. It may well be that the simplest, and ultimately the best, solution is to establish rights which individuals may pursue through the judicial process, without creation of any new agency to police the new privacy guarantees. Or, the Privacy Board's functions could be lodged in an existing executive branch organization. Or, they could be lodged in one of the existing independent regulatory commissions, or in an agency of the legislative branch, such as the General Accounting Office. These are some of the concerns and some of the options we must explore during our hearings.

There are other legitimate concerns. One of them is the exemption provided in the bill for national security. Personal data systems directly related to the security of the United States would be free from the guarantees of the act. Any Federal agency could use that protection. This could permit Federal agencies to abuse that cloak of secrecy, thus diminishing the intentions of this legislation.

I cite a concrete example which indicates a need for a careful, tight definition of this national security exemption.

The U.S. Army has been used to spy on the political activities of American civilians in Western Europe. In August 1972, U.S. Army Military Intelligence personnel were assigned to monitor the political campaign activities of supporters of Senator GEORGE MCGOVERN in Western Europe. The reports filed by these agencies described the political activities of a group known as "Americans for MCGOVERN," in Berlin. Army Intelligence reports described their organizational meetings, leaflet distributions, announcements and local publications, ties to the official Democratic party, and even the name of a man who received an autographed picture of Senator MCGOVERN.

Military intelligence reports describe in detail the position of MCGOVERN supporters on issues such as tax reform, welfare reform, Federal aid to schools, equal educational opportunities, racial and sexual discrimination, national health insurance, abortion, and abolition of the electoral college.

Military intelligence reports list the names of MCGOVERN supporters, including information on their date and place of birth, marital status, passport number, occupation, and residence in Western Europe.

A chart was prepared by the U.S. Army for training manuals to be used in the training of intelligence personnel in Western Europe. One such chart shows the "link" betwen the Democratic Party in the United States and the Communist Party.

Army personnel also opened the mail of American civilians in Europe. One intelligence officer has said that the Army maintains a room approximately 15 feet by 20 feet containing file cabinets filled with photocopies of mail of American civilians. In these files is a letter from the library of the College of Charleston, S.C., to a publication in Western Europe run by American civilians. The Army has photographed an index card, photographed both sides of the envelope and photographed the contents of the letter. This opening of American civilian mail occurred in June of 1973, which date appears at the top of the Army document.

The Army has systematically opened the mail of the Lawyers Military Defense Committee, which is an affiliate of the American Civil Liberties Union, and a well-publicized suit against the Army in the U.S. District Court of the District of Columbia by the LMDC and other plaintiffs is contesting these privacy invasions conducted in the name of national defense.

Other Army activities include infiltration, photographing, and wiretaps.

With respect to photography, American students in Western Europe have been photographed pamphleteering for MCGOVERN by military intelligence officials, and photographs have been obtained of political petitions showing the names of American civilians who have signed the same.

The Army has collected leaflets disseminated by American civilians which describe President Nixon's involvement in Watergate. On the back of each leaflet is a physical description of the person handing out the document.

All of these activities are undertaken in the name of national security. Such a grossly distorted use of this catchall pretext to so blatantly abuse the rights of American citizens is unwarranted, and Federal privacy law must be enacted to bring such abuses to an end. For this reason, I believe we must carefully narrow the national security exemption in this bill.

MEDICAL RECORDS ABUSE

In yet another area of personal data, almost unnoticed by the public, there is a growing assault upon the confidentiality of personal health and medical records. Information that we provide to our doctors in the intimacy of their offices frequently finds its way to insurance companies, credit files, and employment records without our knowledge or approval. The improper procurement and use of medical information has had devastating effects upon unsuspecting individuals. Marriages have been ruined and reputations have been destroyed.

I would like to refer to several case histories provided by Dr. Elmer R. Gabrielli, chairman of the Joint Task Force Group on Ethical Health Data Centers at the State University of New York. These cases illustrate the need for Federal legislation to prevent flagrant breaches of confidentiality of medical information. In one recent example, a district attorney from a great American city

was hospitalized with a serious medical condition. On the day following his hospitalization, the local newspaper in his community printed his medical records word for word.

A second, even more serious example offered by Dr. Gabrielli, involved an employee of a large Defense contractor who sought reimbursement for psychiatric treatment from his company's health insurance plan. In the process of the claim, the insurance company passed on the diagnosis of the employee to his employer who in turn, passed on the diagnosis to the Defense Department. The Department initiated an investigation of the employee. Department of Defense investigators asked insinuating questions of the man's neighbors. The damage had been done.

In another case, a young woman attempted to commit suicide and subsequently received psychiatric treatment at a hospital. She was shocked to learn the details of her diagnosis, not from her doctor, but from her employer. Her employer had obtained the information from the company's health insurance agent, who had gained access to these supposedly confidential hospital records. The shock to this woman upon hearing her psychiatric diagnosis from her employer must have been intense. It calls to our attention once again the imperative need for legislation to establish limits on access to personal data. This can be done by empowering each individual with control over who can view his personal files. The strict confidentiality of personally sensitive medical and health records clearly requires more than good faith and integrity on the part of health care personnel. It deserves and requires legal protection.

SCHOOL RECORD ABUSES

I wish to refer to yet another sensitive area in which privacy rights have been ignored and for which legislative safeguards are needed: school records. Particularly in these days when our public schools are so much in need of Federal support, the informational requirements for evaluation of Federal school aid programs can and do pose serious threats to the privacy of personal student information.

In Illinois, the League of Women Voters conducted extensive surveys of personal information systems. A study of 71 schools revealed that many teachers were not impressed with the need to protect personal student information. They found further that there were no standards of confidentiality imposed on faculty and staff. Clearly, a privacy problem exists, since although no school administrator in the league's survey reported giving information on students to local police, several police departments listed schools as sources for personal student data.

A Los Angeles Times article of October 15, 1973, "Keeping Files on 'Predelinquents' Stirs Criticism," explains that for thousands of children judged to be predelinquents—youngsters whom school authorities believe have criminal tendencies—extensive, often permanent records are kept of their participation in federally funded community programs designed to reshape behavior. The files contain case histories, anecdotes about class behavior, reports on academic progress. The reports come from principals, teachers, parents, and the counselors—some professionals, some volunteers—who work with children in the program. Many of the programs, according to a California Joint Legislative Audit Committee looking into this area, are administered through the probation departments, which keep records after the pilot predelinquency programs end. The article said that this "creates the possibility that the records will be used for probation purposes." Because these programs are operated by law enforcement agencies, "voluntary" participation by schools is inherently coercive, there is the danger that participating children will be treated as criminals.

In California, some State officials say the program's procedures violate the children's civil rights. In the juvenile court system, the same children would get protection of due process, presumption of innocence and right to counsel. There are no such protections in the voluntary programs. For example, there are no provisions for destruction of individual records after the programs are terminated. On the other hand, most juvenile arrest records are sealed. State and Federal officials administering such programs justify the data storage by maintaining that a juvenile risks his privacy in return for the benefit derived from the program.

Walter Quinn, California's then acting deputy auditor general, defended the practice of keeping the files open, saying:

> We think it may be fairly stated that the benefits accruing to a juvenile by being in one of the voluntary programs is paid for by foregoing certain rights to which he is otherwise entitled.

This sort of blanket judgment, that would attempt to justify the disregard of students' privacy, is wholly inappropriate. The principal at Glenknoll Drive Elementary School in Yorba Linda, Calif., has stated that schoolteachers and administrators are about 75 percent right in thier designations of youths as predelinquent. Not only are such claims unverifiable and therefore suspect, but I wonder about the other estimated 25 percent of those youths who are falsely labeled predelinquent. It is they who will suffer without any reason from the stigma of such a label.

Dr. Carl Marburger, spokesman for the National Committee of Citizens in Education, characterized the absence of controls over personal school data as "generally an ungoverned and unsupervised system." He said:

> Anyone, even the school secretary, can put something into the record.

No one knows precisely what goes in and parents are often denied access to what is in the record.

The Illinois League of Women Voters survey indicated that most schools do not allow parents to challenge the accuracy and contents of their children's school records. In a majority of cases, parents are not even allowed to see their children's school files. Frequently they must be satisfied with interpretations and comments offered by school counselors. Yet those same files are accessible to police, university researchers and even other students working for the school administration.

This situation represents an intolerable abuse of the informational privacy rights of students and parents. Dr. Marburger's assessment is indeed frightening. As he says, the American school system maintains "the most vastly comprehensive data operation of any institution in the country. If you have a child in school, there is a dossier which sometimes contains inaccurate and potentially damaging information."

We cannot allow our children's privacy and our privacy as parents, to remain unprotected. We must not let indiscriminate notations in school files go unchallenged. We must not allow these files to be available to anyone other than authorized school personnel. In the rare instances in which others have a need for such information, parents, and children must be informed, and access should require either their consent or a court order. These protections can and will be afforded.

POTENTIAL CABLE TELEVISION ABUSES

Looking toward the future, the rapid advance of technology continues to give rise to new threats against individual privacy which must be anticipated. I offer just one example: Developments in the advancing field of cable television. Cable stations across this country are acquiring capabilities for broadcasting as many as 40 or 50 channels. Citizens will increasingly be offered a large variety of television programs that have been tailored to their individual tastes and preferences. As this possibility is being realized, cable television companies are experimenting with techniques for monitoring the viewing habits of individuals.

Simple tabulations of the number of people who watch particular programs, thus enabling cable television operators to make accurate programing decisions, could be accomplished without compromising the privacy of individual viewers. But cable systems in a number of cities, including Rossmoor's Leisure World Retirement Community in Mesa, Ariz., and experimental systems like TOCOM—total communications—in Irving, Tex., and Theta-Com in El Segundo, Calif., routinely and automatically monitor program choices and viewing habits of individual cable television subscribers. Viewers have no choice and cannot exercise any control over such monitoring.

There is now no national law that would forbid a cable station from telling anyone about the individual tastes of each and every one of its subscribers. A business, so notified, is free to bombard the unwitting cable subscriber with any number of sales pitches based on what is known about the viewers' personal entertainment tastes.

Thus, in the not too distant future, computer-aided records of the programs an individual watches can be analyzed for their commercial, political, or scientific research value. Preparation of viewer files would establish what is essentially a cultural taste data bank and thereby

create an opportunity for access and abuse of personal information that does not now exist.

The technological capacity to invade the privacy of our homes to acquire such information gives frightening substance to the fiction of Big Brother, from George Orwell's "1984." Perhaps such monitoring systems should never be established at all. But if they are established, we must insure that they operate only with the knowledge and explicit consent of the watched.

Certainly, this example is somewhat futuristic. However, it suggests that we must maintain a vilgilant attitude toward new and unregulated technologies if personal privacy is to be protected.

CONCLUSION

Mr. President, all of these examples that I have mentioned suggest the need for strong measures to support the right of privacy. The legislation which Mr. ERVIN, Mr. MUSKIE, and I have introduced provides a good base for final legislation. It will reach information systems and data files across the country and make secure a sacred personal liberty.

CONSTRUCTION INDUSTRY BARGAINING DANGERS

Mr. EAGLETON. Mr. President, the daily Labor Report recently published a very interesting article by the associate editor of BNA, Ben Rathbun, describing the views of the chairman of the Construction Industry Stabilization Committee as its work is being phased out. I hope it will be read carefully as it indicates the problems with attacking our economic problems, as the administration has done, without fully thinking through all of the ramifications of the proposed action.

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

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

"MASSIVE LEAPFROGGING" IN CONSTRUCTION NEGOTIATIONS REPORTED BY CISC CHAIRMAN

The bargaining spectre of the late 1960s, large-scale leap-frogging in construction from craft to craft and from city to city, has returned "with a vengeance" less than six weeks after the termination of statutory wage controls, according to D. Quinn Mills, the chairman of the expiring Construction Industry Stabilization Committee (CISC). The resultant "basic massive upward realignment of wage rates" can have a powerful effect on bargaining in construction and far beyond in U.S. industry, Mills indicated in a BNA interview.

He was critical of the Congress for not taking action that would have permitted "an orderly transition" from the 1971–1974 controls to uncontrolled bargaining in construction. The practical effect, he indicated, is to undo much of the stability imparted to construction bargaining in the Nixon Administration's most successful wage stabilization program.

Mills indicated that the Administration had wanted to continue controls for the current bargaining year in construction because it feared the kind of wage explosion that is now occurring. He said that some influential opponents of a transition period had made a major miscue in their estimate of the force and follow-through of a construction wage "breakout" this year.

WAGE DISTORTIONS, INC.

He summarized this "mistaken" view in these terms: "Well, let it [the wage pressures in construction] explode a little. It's a bubble that will pass and we'll take it out of subsequent settlements." Mills added that those who find no serious inflationary implications in the current construction settlement pattern do *not* understand the pervasive impact of leap-frogging settlements in construction. He said "What we're going to be seeing this year is a basic massive upward realignment in wage rates."

He added this note: "What is happening this year is going to reverberate through the next two years at least. It means that we cannot get back to any kind of stability in construction bargaining for at least another two years. As bad as this year is, the next two years are going to be worse. And if somebody doesn't do something about it this year, stability won't be possible for another three years. Construction is on that kind of a cycle." He said that the problem will become more aggravated with inattention. As he noted, "every year we wait . . .," these distortions will escalate by "feeding upon themselves."

Mills and John T. Dunlop, the chairman of the Cost of Living Council, have pointed to the Administration's failure to persuade Congress to take affirmative action to provide a less precipitate and more orderly break from the controls system. As Dunlop put it: "I was trying to keep May 1 from becoming a day when a gun was fired and the Administration said: You're on your own." Instead the country now has "a race" for price and wage increases, as Dunlop and Mills see it, that is akin to "a speculative surge."

One reason this is happening, according to Mills, is that people don't believe Congress can keep from taking some kind of action on inflation for too many months. Meanwhile, aggressive parties are going "way beyond any reasonable adjustment" to the newest summit of living costs.

According to Mills' estimate, the inaction by the Congress could add three to four percentage points this year alone to construction settlements. He said that a level of settlements in the 8 to 10 percent range would have been quite possible if the legislators had imposed restraint upon the private parties for the immediate post-May 1 months.

He added that the transition arrangements would have assured that no major agreements went above 10 percent. But now, the level of settlements will be around 12 to 13 percent with some increases going as high as the 33 to 40 percent range on top-job rates. Mills added: "There was nothing inevitable about this move above the 8 to 10 percent level; nothing in the market situation required it."

REGION-BY-REGION REVIEW

Using recent reports on settlements around the nation, Mills offered a quick cross-country assay of the significant agreements on the West Coast, in the Midwest and in New England:

"In some places, this thing is totally out of hand and it's getting out of hand in other places. You take the UA [Plumbers Union] on the West Coast. At San Jose, Calif., the one-year increase was $1.83 an hour or 15.7 percent based on the old rate of $11.59. For UA Local 38 in San Francisco, it was $2.37, or 19.3 percent, based on a current rate of $12.28. At San Mateo, it was $2.53, or 22.2 percent, from $11.38."

Although it is a small community, an important agreement, according to Mills, because of its leap-frogging implications, was the UA settlement at Salem, Ore. that provided, including welder and other premiums, $3.60 "in one bite, or roughly 40 percent. There's a big nuclear powerhouse construction job that was responsible." The Salem settlement is going to have its effects up and down the Coast and beyond. However, the strike situation on the Coast "is not bad." The problem is that "the settlements are enormous with a lot of strikes yet to come this summer."

In the Midwest, a considerable number of the earlier settlements were in the 8 to 10 percent range. But now there are "strikes in many Midwestern cities and a situation that is ready to get out of hand."

Likewise, in New England, the range of settlements had been in the 8 to 10 percent area. But currently, as in Salem, Ore., the UA has come up with a big one-year increase at New Bedford, Mass. where a nuclear power construction project is causing rates to be bid up. The UA settlement at New Bedford is $1.25, or 13 percent, for the first year. "That and the Salem settlement are the kind of settlements" that will spawn jumbo-type leap-frogging this year and next.

Mills emphasized that some of these very large settlements are going to carry through the industry bargaining structure. "In the process", he said, "the structure of wage rates will be terribly distorted." He noted that the CISC had put a stop to this major leap-frogging. He added: "We could have done it again this year. We could have—and we were—allowing the average [settlement] to rise to compensate for inflation" in the eight to 10 percent area.

At this stage, according to Mills, there probably is little effective action Congress might take. As he put it: "Who cares what they do now? The horse is out of the barn." He added: "If the Congress starts talking controls now, it's going to make the situation even worse." Such talk would only spur the local construction negotiators to higher increases. "If Congress wants to do anything, they've got to stop talking and start acting," Mills said.

FUTURE OF STRUCTURAL CHANGE

However, Mills believes that most of the structural changes in bargaining achieved during the CISC period "will stick" despite the cessation of the Committee's activities. This means that the increased number of geographically-broader bargaining units, the liberalized work rules, and the differential rates for specialized sectors of the industry like homebuilding will continue for the most part. What will be lost, in his estimation, is the considerable degree of wage stability achieved since March 1971, and some of the growing capacity to curb disputes from flaring into strikes. As Mills put it: "There will be many, many more strikes."

Within the Administration and on Capitol Hill, there had been some expectation that the contractors and the unions would establish some kind of dispute settlement machinery to deal with the mushrooming strike threats of the post-controls period. On May 14, Dunlop told Senator Humphrey's Consumer Economics Subcommittee of the Joint Economic Committee that he was "hopeful" that some kind of "voluntary means, not of controls, but some voluntary means . . . of dispute settlement" would be established by the industry's unions and contractors. The prime purpose would be to reduce "the volume of work stoppages." However, an Administrative spokesman indicated June 10 that "nothing" had been accomplished by the parties to date.

In his comments, Mills avoided any game of "who-is-the-villian-of-the-piece." He indicated that the Democratic leadership and the "Administration's supporters" in Congress appeared to have ignored the warnings about the dangers ahead in construction. But he also noted his awareness that congressional leaders reported getting only faint—and sometimes contradictory—signals from

the White House on Dunlop's stabilization proposals, including the one for the continuation of construction controls.

CISC PHASE-OUT PLAN

Despite the uncertainty, CISC had anticipated the Congress would go along with some extension of its activities. Recognizing the dangers that an abrupt unleashing would make possible, a number of influential union and contractor officials involved with CISC quietly had indicated their willingness to go along with a transition toward uncontrolled bargaining in 1975. 'A lot of people in industry and the unions were prepared to participate in good spirit in that transitional arrangement," Mills commented.

He said that the CISC plan, assuming the authority to continue operations, had been twofold: First, to permit a reasonable increase in settlement levels "consistent broadly with what's happening in the economy," and second, to prepare for a total phase-out of its operations. To this end, CISC planned to move toward "self-administration," toward turning over more and more matters to the Craft Boards, and toward a reduction in the number of agreements formally reviewed by the Committee.

Mills noted his disappointment that more structural change in bargaining had not been achieved under the 1971–1974 controls. Although there has been progress, he said that both he and Dunlop, his predecessor as CISC chairman, regretted that the rest of the unions and contractors in the industry "had not been able to build on the strong minority sentiment" for significant change in bargaining practices and structures. Despite some improvement, "the current structure in construction is not good enough," Mills declared.

He added: "It's a serious question whether the country can tolerate or survive the current collective bargaining system in construction." He said this structure is "not consistent at all with the national needs for industrial and housing construction." He continued: "I don't see how the country can deal with its problems of general inflation, of increasing capacity, of improving productivity with this particular structure in construction."

The CISC chairman declared that "there is a substantial body" of local union opinion that favors changes that would lead to a less balkanized bargaining structure. But he added: "I'm convinced that it does not constitute a majority sentiment. In some areas, the opposite sentiments are very strong." He particularly mentioned California as a major problem state for those interested in improving the bargaining system in construction.

On what needs to be done to make the construction bargaining system more "tolerable," Mills said: "It would have to be one in which there is much more considerable involvement of national associations and national unions in local bargaining. There also would have to be much more coordination of the activities of the various employer associations and local unions."

WRITING ON A HEARING-ROOM WALL

Meanwhile, the early reports to CISC indicate that Dunlop foreshadowed what might be coming in his May 14 testimony before the Humphrey subcommittee. In response to a question about construction, he said somewhat ruefully: "With the end of controls . . . once you start with one craft getting a little more than somebody else . . . you begin a leap-frogging process that I know only too well."

With the formal expiration of both the CLC and the CISC at midnight June 30, Dunlop will return to the Harvard University faculty. He also will be working with Kenneth Rush, the new White House Counsellor for Economic Policy, on what Rush described as "various special projects . . . one of them, of course . . . in the wage field." Rush said Dunlop, whom he praised as "a very dedicated, patriotic, and extraordinary able citizen," would be spending two or three days a week on the White House projects.

A part-time CISC chairman, Mills will continue in his current portfolio as Associate Professor of Management at MIT's Sloan School of Management. In addition to his CISC job, he has been assisting Dunlop at the CLC.

The tripartite CISC was established by White House executive order in March 1971. It was the first wage stabilization agency of the 1971–1974 period. Its organization followed the 1965–71 period when construction settlements moved in a rocketlike trajectory that took them to the range of 17–20 percent a year. One of the few Administration wage or price stabilizing programs with a broadly-praised record, the CISC also became one of the longest running stabilization agencies in U.S. history.

CONCLUSION OF MORNING BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that morning business be closed for the present.

The PRESIDING OFFICER. Without objection, morning business is concluded.

COMMITTEE ON DISARMAMENT—APPOINTMENT BY THE VICE PRESIDENT

The PRESIDING OFFICER (Mr. NUNN). The Chair, on behalf of the Vice President, appoints the following Senators to attend the Conference of Committee on Disarmament, to be held in Geneva, Switzerland, beginning on July 2, 1974: the Senator from Rhode Island (Mr. PASTORE), the Senator from Maine (Mr. MUSKIE), and the Senator from Delaware (Mr. ROTH).

ORDER OF BUSINESS

The PRESIDING OFFICER. The Chair would state that the Senator from West Virginia (Mr. ROBERT C. BYRD) has 34 minutes of accumulated time remaining.

Mr. GRIFFIN. Mr. President, I suggest the absence of a quorum, with the time to be charged against the time of the Senator from West Virginia (Mr. ROBERT C. BYRD).

The PRESIDING OFFICER. Without objection, it is so ordered, and the clerk will call the roll.

The third 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.

OBSERVANCE OF A PERIOD TO HONOR AMERICA

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Chair lay before the Senate a message from the House of Representatives on House Concurrent Resolution 537.

The PRESIDING OFFICER laid before the Senate House Concurrence Resolution 537, which was read, as follows:

H. CON. RES. 537

Resolved by the House of Representatives (the Senate concurring), That Congress declares the twenty-one days from Flag Day, June 14, 1974, to Independence Day, July 4, 1974, as a period to honor America, and let there be public gatherings and activities at which the people of the United States can celebrate and honor their country in appropriate manner.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the action previously taken by the Senate on Senate Concurrent Resolution 90, which is a companion measure, be vitiated.

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

The question is on agreeing to the pending concurrent resolution.

The concurrent resolution (House Concurrent Resolution 537) was agreed to.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that Senate Concurrent Resolution 90 be indefinitely postponed.

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

ORDER OF BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. On whose time?

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

I ask unanimous consent that there be a further period for the transaction of routine morning business, with statements therein limited to 5 minutes each.

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

Mr. ROBERT C. BYRD. Mr. President, I now 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.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

SOLAR HEATING AND COOLING DEMONSTRATION ACT OF 1974

Mr. MOSS. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on H.R. 11864.

The PRESIDING OFFICER laid before the Senate a message from the House of Representatives announcing its disagreement to the amendments of the Senate to the bill (H.R. 11864) to pro-

vide for the early commercial demonstration of the technology of solar heating by the National Aeronautics and Space Administration and the Department of Housing and Urban Development, in cooperation with the National Bureau of Standards, the National Science Foundation, the General Services Administration, and other Federal agencies, and for the early development and commercial demonstration of technology for combined solar heating and cooling, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. MOSS. Mr. President, I move that the Senate insist upon its amendment to the act (H.R. 11864) providing for the early commercial demonstration of the technology of solar heating by the National Aeronautics and Space Administration, and the Department of Housing and Urban Development, in cooperation with the National Bureau of Standards, the National Science Foundation, the General Services Administration, and other Federal agencies, and for the early development and commercial demonstration of technology for combined solar heating and cooling, and agree to the request of the House for a conference on the disagreeing votes of the two Houses thereon, and that the chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to: and the Presiding Officer appointed Mr. Moss, Mr. KENNEDY, Mr. CRANSTON, Mr. TUNNEY, Mr. HASKELL, Mr. GOLDWATER, Mr. DOMINICK, Mr. WEICKER, and Mr. FANNIN conferees on the part of the Senate.

TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

The PRESIDING OFFICER (Mr. NUNN). Under the previous order the Senate will now proceed to the consideration of H.R. 14832, which the clerk will state.

The assistant legislative clerk read as follows:

A bill (H.R. 14832) to provide for a temporary increase in the public debt limit.

The Senate proceeded to consider the bill.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. LONG. 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. LONG. Mr. President, I ask unanimous consent that during Senate consideration of H.R. 14832, the debt limit bill, the following Finance Committee staff members be permitted on the floor: Michael Stern, Robert Willan, Bill Morris, Bill Galvin, Joe Humphreys, Jay Constantine, Jim Mongan, Karen Nelson, Bob Best, Dick Rivers, Mark Sandstrom, Michael Rowny.

I also ask unanimous consent that the following members of the staff of the Joint Committee on Internal Revenue Taxation be permitted on the floor: Dr. Laurence Woodworth, Arthur Feffer-man, Bernard Shapiro, Tom White, Mark McConaghy, Mike Bird, Al Buckberg, Mead Emory, Howard Silverstone, Don Ricketts, and Richard Bacon.

This is a long list of names but I would expect that at one time only a small portion of the staff will need to be on the floor. I am asking permission for this many staff members because the amendments that have been proposed to the debt limit bill cover all areas of Finance Committee jurisdiction.

I also ask unanimous consent that Jeff Peterson, of the staff of the Senator from Connecticut (Mr. RIBICOFF), be permitted on the floor during the debate and votes on this bill.

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

Mr. LONG. At the end of this month the present limit on the public debt will fall from the combined permanent and temporary level of $475.7 billion to the permanent level of $400 billion. At that time, the public debt is expected to be about $474 billion, given the Treasury Department estimates that its operating cash balance at that time will be $6 billion.

The bill (H.R. 14832) which the Finance Committee has reported to the Senate provides an increase in the temporary debt limit to $495 billion for the period through March 31, 1975. This increase in the debt limit of $19.3 billion is the identical bill that was passed by the House of Representatives by a margin of one vote—a tie breaking vote cast by the Speaker of the House.

When the administration first appeared before Congress about this bill, it requested an increase in the debt limit to $505 billion—or $10 billion more than this bill provides—to carry it past the estimated peak debt requirement on May 31, 1975, and through fiscal year 1975. The request was made for an approximately $30 billion increase in the debt limit that was made up of the estimated $20 billion deficit in the Federal funds budget, $5 billion to meet the peak debt need on May 31, 1975, $3 billion to provide the usual allowance for contingencies, and an additional $3 billion contingency allowance for increasing the availability of mortgage funds for residential construction. The second contingency allowance reflects the administration's latest proposal to stimulate the housing industry which could involve the Federal Home Loan Bank Board in issuing U.S. debt obligations in order to make reserves available to savings institutions that furnish the bulk of the mortgages for housing.

Budget estimates of revenues and expenditures for fiscal year 1975 are the most important factors in determining the size of the increase in the debt limit which is required. The latest estimates show that the administration expects a unified budget deficit of $11.4 billion. This represents receipts of $294 billion and outlays of $304.5 billion. However, it is the size of the Federal funds deficit which really determines the size of the debt limit increase needed. The deficit in this case is much larger—$20 billion—since this budget does not take into account the social security fund surplus. The surplus in the social security and other trust fund accounts is by law invested in special issues of Federal debt.

Because the present outlook is filled with uncertainty as to economic events in the period ahead, the committee concluded that the most prudent fiscal action it can take now, is to recommend an increase in the debt limit which is just enough to carry the administration through the remainder of the calendar year 1974 and enough of 1975 to give the committee and the Congress a chance to examine and act on the public debt limit again early next year. March 31, 1975, is a reasonably early target next year, and the $495 billion debt limit which the committee recommends probably will see the Treasury Department through until that time if there is an economical management of our fiscal affairs in the intervening period. If in the meantime it should be determined that this is not enough to last that long, since Congress will return during the first week of January 1975, there will be ample opportunity for early action on the debt limit early next year if that becomes necessary. In testimony before the committee, the Under Secretary of the Treasury and the Director of the Office of Management and Budget indicated that they would be pleased to have the $495 billion limit enacted at this time although they initially asked for $10 billion more in the limit.

Those Members who may be thinking of providing a smaller increase in the debt limit should be warned that there are dangers in such a step.

The economy presently is in a most uncertain position. On the one hand, the level of real output as measured by gross national product fell last quarter by 6.3 percent—in seasonally adjusted annual rates—from the level of the last quarter of 1973. Normally, a decline in output causes a decrease in receipts and an increase in those categories of budget outlays that are associated with higher unemployment and related forms of personal economic distress.

On the other hand, prices are rising at historically high rates. The report on the economy's performance in the first quarter shows prices increased at an annual rate of 11.5 percent. Rising prices usually result in higher levels of receipts and higher expenditures.

These conflicting factors make it difficult to make a confident economic or budget forecast about how these economic crosscurrents will work out during the next 9 or 10 months. Too much interaction of these opposing forces could create even more economic turbulence than we have experienced recently.

The increase in the debt limit that is made available in this bill is based on cautious projections of our economic performance over the next 9 or 10 months.

Only a tight margin has been made available. This increase in the public debt limit is stringent, and makes no provision for unbudgeted spending, but, at the same time, provides a sufficient margin for reasonable management of

the public debt through the first quarter of 1975. Any effort to slice this margin any thinner runs the risk of fiscal danger.

Although the current economic outlook is not good, I believe it is desirable for the Senators to recognize that our position today, in terms of debt, in real terms is better than it has been in the past.

The burden of the debt in real terms has been falling since the end of World War II. If the debt is expressed in per capita terms, and adjusted for price level changes, the real per capita debt has fallen rather steadily from its highest level of $5,052 in 1945 to $2,293, as of December 1973. If we measure the debt held in private hands, that is, excluding the debt held in the accounts of Government agencies and the Federal Reserve, the same pattern can be observed. Real per capita private holdings of Federal debt have fallen from $4,123 in 1945 to $1,279 at the end of 1973.

Similarly, the debt was 16.5 percent of gross national product in 1929. By 1932, it rose to 34.2 percent and reached a peak of 116.4 percent in 1945. Since then, the ratio has fallen quite steadily until it is down to 21 percent of gross national product in 1973. This is the lowest percentage level since 1929.

I point out these statistics to show that although the present outlook is grim enough, it is far from desperate if the people in this country continue to be hard working and productive. Certainly a continuation of these characteristics is vital in the effort to restore this country to the high rate of economic progress we have known in the past years.

With this perspective before the Senate, I believe that we should provide the increase in the public debt limit required, but in the meanwhile do our best to restore stable economic growth in the near future.

The committee's attention was called to another aspect of the Federal debt situation—that is, the ability of modest savers to buy Federal bonds.

In recent years, the Treasury Department has increased the minimum denomination of its bill and notes substantially above their previous level of $1,000. There is a minimum purchase requirement of $10,000 for Treasury bills, or short-term debt of under 1-year maturity.

This step was taken in recognition of what the money market has been buying and the higher cost to the Treasury of issuing smaller bills. Recently, the Treasury Department also issued its first notes, which are debt with maturities between 1 and 7 years, in minimum denominations of $5,000. Bonds still are issued in denominations as low as $1,000.

The committee believes that the present failure to issue smaller denominations in these debt obligations works to the disadvantage of persons with modest savings. These people pay high interest rates when they borrow money but in practice are foreclosed from buying anything but long term obligations if the shorter term debt is issued only in large denominations. In view of the unfairness of this to the individual saver of modest means, the committee has requested that in the future the Treasury Department make available issues of notes and bonds in denominations of $1,000, unless it is convinced that this will result in a serious dislocation for the various institutions representing the savings market. Representatives of the Treasury Department have given their assurances that they will follow the desires of the committee in this respect.

Mr. President, I asked in the course of the hearings on this measure that there be a number of charts prepared to show where we stand in the broad, general perspective, taking into account a great number of factors.

That is necessary because unless we are careful in this area we tend to look at the hole in the doughnut rather than at the doughnut itself.

I have prepared a chart with the help of the Treasury which indicates the growth of our gross national product and relates it to the population of this Nation which, of course, has been expanding as far back as our records go.

It is impressive, Mr. President, to note that when you take everything into account, this Nation has been doing a lot better than some people realize. For example, when one discounts for inflation by stating the purchasing power of our money in constant terms, we are able to see whether we had real economic growth or only imaginary economic growth.

It is impressive to note, for example, that in 1973, even after inflation and the increase in population are taken into account, we had real economic growth of 5.1 percent over the year before.

Now, that is something everybody in this country should be very happy about, I would think. It is also a matter of some solace to note that the same thing was true in 1972. The year 1970, after considering inflation and population growth, is the only year since 1960 when the economy failed to grow.

I would suggest, Mr. President, that Senators might find it useful to study this chart which, in my judgment, indicates that on the whole we have been doing rather well in this country.

Now, another thing one should consider is the difference between Government debt and private debt. In the last analysis, the Nation is no worse off if an increase in the national debt is simply due to additional money the Federal Government owes the Federal Government.

It is somewhat like a man having borrowed $10,000 at the bank which he puts in his checking account. He is $10,000 wealthier in one account and he is $10,000 poorer in the other account, but when you consider his overall picture he is no worse off than he was before.

So taking those items into account, one finds that things are better than some might think.

The charts in the record of the hearings and in the committee report contain information demonstrating that point.

I ask first that the chart to which I have referred be brought forward to include a final column showing the percentage increase in per capita gross national product, and I ask unanimous consent that it be printed in the RECORD at this point.

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

CHANGES IN PER CAPITA REAL GROSS NATIONAL PRODUCT (1929-73)

Year	Gross national product (billions of 1958 dollars)	GNP per capita (constant 1958 dollars)[1]	GNP per capita, change from year ago (Constant 1958 dollars)	Percent
1929	$203.6	$1,672		
1930	183.5	1,490	−$182	−10.9
1931	169.3	1,364	−126	−8.5
1932	144.2	1,154	−210	−15.4
1933	141.5	1,126	−28	−2.4
1934	154.3	1,220	+94	8.3
1935	169.5	1,331	+111	9.1
1936	193.0	1,506	+175	13.1
1937	203.2	1,576	+70	4.6
1938	192.9	1,484	−91	−5.8
1939	209.4	1,589	+114	7.1
1940	227.2	1,714	+115	7.9
1941	263.7	1,969	+256	14.9
1942	297.8	2,200	+231	11.7
1943	337.1	2,456	+256	11.6
1944	361.3	2,601	+148	5.9
1945	355.2	2,529	−72	−2.8
1946	312.6	2,202	−326	−12.9
1947	309.9	2,142	−61	−2.7
1948	323.7	2,199	+57	2.7
1949	324.1	2,164	−35	−1.6
1950	355.3	2,333	+170	7.8
1951	383.4	2,476	+142	6.1
1952	395.1	2,508	+32	1.3
1953	412.8	2,577	+69	2.8
1954	407.0	2,497	−81	−3.1
1955	438.0	2,640	+143	5.17
1956	446.1	2,641	+2	
1957	452.5	2,631	−10	−.4
1958	447.3	2,558	−73	−2.8
1959	474.9	2,676	+118	4.6
1960	487.7	2,699	+23	.8
1961	497.2	2,707	+7	.3
1962	529.8	2,840	+133	4.9
1963	551.0	2,912	+71	2.5
1964	581.1	3,028	+117	4.0
1965	617.8	3,180	+151	5.0
1966	658.1	5,348	+169	5.3
1967	675.2	3,398	+50	1.5
1968	706.6	3,521	+123	3.6
1969	725.6	3,580	+60	1.7
1970	722.5	3,526	−54	−1.5
1971	745.4	3,600	+74	2.1
1972	790.7	3,786	+186	5.2
1973	837.4	3,980	+194	5.1

[1] Real gross national product divided by population of the United States for July 1 of each year. Population figure includes Armed Forces overseas beginning 1940 and Alaska and Hawaii beginning 1940.

Mr. LONG. Then, Mr. President, to help students of this subject see the overall picture, rather than merely a small portion of it, I believe it would be well that the other tables that appear in the committee report, tables 1 through 15, be printed in the RECORD, and I ask unanimous consent that they so appear.

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

Fiscal year	Statutory debt limitation: Permanent	Temporary additional	Total
1947-54	275		275.0
1955 through Aug. 27	275		275.0
1955: Aug. 28 through June 30	275	6.0	281.0
1956	275	6.0	281.0
1957	275	3.0	278.0
1958 through Feb. 25	275		275.0
1958: Feb. 26 through June 30	275	5.0	280.0
1959 through Sept. 1	275	5.0	280.0
1959: Sept 2 through June 29	283	5.0	288.0
1959: June 30	285	5.0	290.0
1960	285	10.0	295.0
1961	285	8.0	293.0
1962 through Mar. 12	285	13.0	298.0
1962: Mar. 13 through June 30	285	15.0	300.0
1963 through Mar. 31	285	23.0	308.0
1963: Apr. 1 through May 28	285	20.0	305.0
1963: May 29 through June 30	285	22.0	307.0
1964 through Nov. 30	285	24.0	309.0
1964: Dec. 1 through June 28	285	30.0	315.0

TABLE 1.—STATUTORY DEBT LIMITATIONS, FISCAL YEARS 1974 TO DATE, AND A PROPOSED LIMITATION IN FISCAL YEAR 1975

[In billions of dollars]

Fiscal year	Statutory debt limitation		
	Permanent	Temporary additional	Total
1964: June 29 and 30	285	39.0	324.0
1965	285	39.0	324.0
1966	285	43.0	328.0
1967 through Mar. 1	285	45.0	330.0
1967: Mar. 2 through June 30	285	51.0	336.0
1968[1]	358		358.0
1969 through Apr. 6[1]	358	7.0	365.0
1969 after Apr. 6[1]	358		358.0
1970 through June 30[1]	365	12.0	377.0
1971 through June 30[1]	380	15.0	395.0
1972 through June 30[1]	400	50.0	450.0
1972 through Oct. 31[1]	400	50.0	450.0
1973 through June 30[1]	400	65.0	465.0
1973 through Nov. 30[1]	400	65.0	465.0
1974 through June 30[1]	400	75.7	475.7
Proposed:			
From June 30, 1974, through Mar. 31, 1975[1]	400	95.0	495.0
After Mar. 31, 1975[1]	400		400.0

[1] Includes FNMA participation certificates issued in fiscal year 1968.

TABLE 2.—BUDGET TOTALS, BY FUND GROUP

[Fiscal years; in billions of dollars]

	1973 actual	Budget estimate		Current estimate	
		1974	1975	1974	1975
Receipts:					
Federal	161.4	185.6	202.8	181.8	201.4
Trust funds	92.2	105.6	115.8	105.3	116.8
Interfund transactions	−21.3	−21.1	−23.6	−21.1	−24.2
Total	232.2	270.0	295.0	266.0	294.0
Outlays:					
Federal funds	186.4	203.7	220.6	199.5	221.3
Trust funds	81.4	92.1	107.4	91.2	108.3
Interfund transactions	−21.3	−21.1	−23.6	−21.1	−24.2
Total	246.5	274.7	304.4	269.5	305.4
Surplus or deficit (−):					
Federal funds	−25.0	−18.1	−17.9	−17.7	−19.9
Trust funds	10.7	13.5	8.4	14.1	8.5
Total	−14.3	−4.7	−9.4	−3.5	−11.4

Note: Details may not add to totals due to rounding.

TABLE 3.—COMPARISON OF FISCAL YEAR 1974 RECEIPTS BY MAJOR SOURCE, AS ESTIMATED IN JANUARY AND MAY 1974

[In billions of dollars]

	February 1974 budget	Change to May 1974			May 1974 estimate
		Economic and reestimate	Legislation	Total	
Individual income tax	118.0				118.0
Corporation income tax	43.0	−2.3	−1.0	−3.3	39.7
Employment taxes and contributions	67.7	−1.2		−1.2	66.4
Unemployment insurance	6.2	+.7		+.7	6.9
Contributions for other insurance and retirement	4.0				4.0
Excise taxes	17.1	+.1		+.1	17.2
Estate and gift taxes	5.4	−.3		−.3	5.1
Customs duties	3.5	−.1		−.1	3.4
Miscellaneous receipts	5.0	+.3	−.02	+.1	5.2
Total budget receipts	270.0	−2.8	+1.2	−4.0	266.0
Underlying income assumptions calendar year 1973:					
Gross national product	1,288.0				1,289.0
Personal income	1,035.0				1,035.0
Corporate profits before tax	126.0				126.0

Note: Figures are rounded and may not necessarily add to totals.

TABLE 4.—COMPARISON OF FISCAL YEARS 1975 RECEIPTS BY MAJOR SOURCE, AS ESTIMATED IN JANUARY AND MAY 1974

[In billions of dollars]

	February 1974 budget	Change to May 1974 estimate			May 1974 estimate
		Economic and reestimate	Legislation	Total	
Individual income tax	129.0	+1.5	+0.5	+2.0	131.0
Corporation income tax	48.0	−1.8	−1.7	−3.5	44.5
Employment taxes and contributions	75.3	−.2		−.2	75.1
Unemployment insurance	6.0	+.1		+.6	6.6
Contributions for other insurance and retirement	4.3	+.1		+.1	4.4
Excise taxes	17.4	−.1		−.1	17.3
Estate and gift taxes	6.0	−.4		−.4	5.6
Customs duties	3.8	−.1		−.1	3.7
Miscellaneous receipts	5.2	+.4	+.2	+.6	5.8
Total budget receipts	295.0		−1.0	−1.0	294.0
Underlying income assumptions calendar year 1974:					
Gross national product	1,390.0				1,041.0
Personal income	1,135.0				1,142.0
Corporate profits before tax	124.0				134.0

Note: Figures are rounded and may not necessarily add to totals.

TABLE 5.—CHANGES IN BUDGET OUTLAYS BY AGENCY

[Fiscal years; in billions of dollars]

	1973 actual	1974			1975		
		Budget estimate	Current estimate	Change	Budget estimate	Current estimate	Change
Defense and military assistance	73.8	79.5	78.5	−1.0	85.8	85.8	
Agriculture	10.0	9.3	9.8	.5	9.2	8.9	−0.3
CCC and Public Law 480	(4.4)	(1.8)	(1.7)	(−.1)	(1.5)	(1.5)	(1)
Commerce	1.4	1.5	1.4	−.1	1.7	1.7	(1)
Health, Education, and Welfare	82.0	96.8	93.8	−3.0	111.0	111.0	
(Social security trust funds)	(58.6)	(68.4)	(67.5)	(−.9)	(79.3)	(79.3)	
Housing and Urban Development	3.6	5.0	4.9	−.1	5.6	6.1	.5
Interior	−2.3	−3.8	−4.8	−1.0	−2.7	−5.5	−2.8
Justice	1.5	1.9	1.8	−.1	2.1	2.1	(1)
Labor	8.6	8.6	8.9	.3	10.0	11.6	1.6
(Unemployment trust fund)	(5.4)	(5.8)	(6.2)	(.3)	(7.2)	(8.0)	(.8)
State	.6	.7	.7	*	.8	.8	
Transportation	8.2	8.4	8.2	−.3	9.1	9.3	.3
Treasury	31.0	35.8	36.1	0.3	37.6	38.7	1.0
(General revenue sharing)	(6.6)	(6.1)	(6.1)		(6.2)	(6.2)	
(Interest on the public debt)	(24.2)	(29.1)	(29.4)	(.2)	(30.5)	(31.5)	(1.0)
Corps of Engineers	1.7	1.6	1.7	.1	1.6	1.7	.1
Atomic Energy Commission	2.4	2.3	2.3	−.1	2.9	3.0	.1
Environmental Protection Agency	1.1	2.6	2.4	−.2	4.0	4.1	.1
General Services Administration	.5	−.3	−.2	.1	−.9	−.8	(1)
National Aeronautics and Space Administration	3.3	3.2	3.2		3.3	3.3	
Veterans' Administration	12.0	13.2	13.5	.2	13.6	14.2	.6
Foreign economic assistance	1.7	2.2	2.2	(*)	2.4	2.7	.3
Other independent agencies	13.8	15.7	15.2	−.5	16.5	16.9	.3
Allowances[2]		.3		−.3	1.6	.9	−.7
Undistributed intergovernmental transactions	−8.4	−10.0	−10.0		−10.7	−10.9	−.2
Total	246.5	274.7	269.5	−5.1	304.4	[3] 305.4	1.0

[1] Less than $50,000,000.

[2] Includes allowances for acceleration of energy research and development, civilian agency pay raises, and contingencies.

[3] In his housing policy recommendations of May 10, the President announced a 4-point plan to make additional mortgage money available to assist the housing market. If interest rates remain high, mortgage commitments under this plan could cause outlays in 1975 to get up to $3,000,000,000 higher.

Note: Detail may not add to totals due to rounding.

TABLE 6.—PUBLIC DEBT SUBJECT TO LIMITATION, FISCAL YEAR 1975—BASED ON ESTIMATED BUDGET OUTLAYS OF $305,400,000,000 AND RECEIPTS OF $294,000,000,000

[In billions of dollars]

	Operating cash balance	Public debt subject to limitation	With usual $3,000,000,000 margin for contingencies	With allowance for contingency of $3,000,000,000 Federal Home Loan Bank borrowing[1]
1974:				
May 31	6	475.6		
June 30	6	474.0	477	477
July 31	6	478.0	481	481
Aug. 31	6	484.0	487	490
Sept 30	6	480.0	483	486
Oct. 31	6	482.0	485	488
Nov. 30	6	486.0	489	492
Dec. 31	6	488.0	491	494
1975:				
Jan. 31	6	486.0	489	492
Feb. 28	6	492.0	495	498
Mar. 31	6	495.0	498	501
Apr. 30	6	492.0	495	498
May 31	6	499.0	502	505
June 30	6	494.0	497	500

[1] Announced in housing policy statement by President on May 10, 1974; not included in outlay assumption of $305,400,000,000.

TABLE 7.—*Explanation of administration request for $29.3 billion increase in public debt limit*

[In billions]

Peak debt, May 31, 1975	$505.0
Debt outstanding, June 30, 1974	474.0
Difference	31.0
Request for increase in debt limit	29.3
Reconciliation:	
Federal funds deficit, fiscal year 1975	20.0
Margin for contingencies:	
Restoration of usual margin	3.0
Additional margin for housing stimulus from Federal Home Loan Bank Board	3.0
Total	6.0
Peak debt requirement—difference between debt on May 31, 1975 ($505 billion), and June 30, 1975 ($500 billion)	5.0
	31.0
Less difference between June 30, 1974, estimated outstanding debt and debt limit that date	1.7
Grand total	29.2

TABLE 8.—ESTIMATED GROSS GOVERNMENT AND PRIVATE DEBT, BY MAJOR CATEGORIES

[Dollar amounts in billions]

Dec. 31	Private: Individual	Private: Corporate[1]	Private: Total	State and local	Federal: Public	Federal: Agency	Federal: Total	Total	Federal as a percent of total
1929	$72.9	$107.0	$179.9	$17.8	$16.3	$1.2	$17.5	$215.2	8
1932	57.1	96.1	153.2	19.7	20.8	1.2	22.0	194.9	11
1933	51.0	92.4	143.4	19.5	23.8	1.5	25.3	188.2	13
1934	49.8	90.6	140.4	19.2	28.5	4.8	33.3	192.9	17
1939	50.8	86.8	137.6	20.1	41.9	6.9	48.8	206.5	24
1940	53.0	89.0	142.0	20.2	45.0	7.2	52.2	214.4	24
1941	55.6	97.5	153.1	20.0	57.9	7.7	65.6	238.7	27
1945	54.7	99.5	154.2	16.0	278.1	1.5	279.6	449.8	62
1946	59.9	109.3	169.2	16.1	259.1	1.6	260.7	446.0	59
1947	69.4	128.9	198.3	17.5	256.9	.7	257.6	473.4	58
1948	80.6	139.4	220.0	19.6	252.8	1.0	253.8	493.4	51
1949	90.4	140.3	230.7	22.2	257.1	.8	257.9	510.8	51
1950	104.3	167.7	272.0	25.3	256.7	1.1	257.8	555.1	47
1951	114.3	191.9	306.2	28.0	259.4	.8	260.2	594.4	44
1952	129.4	202.9	332.3	31.0	267.4	.9	268.3	631.6	42
1953	143.2	212.9	356.1	35.0	275.2	.8	276.0	667.1	41
1954	157.2	217.6	374.8	40.2	278.8	.7	279.5	694.5	40
1955	180.1	253.9	434.9	46.3	280.8	1.4	282.2	763.4	37
1956	195.5	277.3	472.8	50.1	276.6	1.7	278.3	801.2	35
1957	207.6	295.8	503.4	54.7	274.9	3.2	278.1	836.2	33
1958	222.9	312.0	534.9	60.4	282.9	2.4	285.3	380.6	32
1959	245.0	341.4	586.4	66.6	290.8	5.7	296.5	949.5	31
1960	263.3	365.1	628.4	72.0	290.2	6.4	296.6	997.0	30
1961	284.8	391.5	676.3	77.6	296.2	6.8	303.0	1,056.9	29
1962	311.9	421.5	733.4	83.4	303.5	7.8	311.3	1,128.1	28
1963	345.8	457.1	802.2	89.5	309.3	8.1	317.4	1,209.1	26
1964	380.1	497.3	877.4	95.5	317.9	9.1	327.0	1,299.0	25
1965	415.7	551.9	967.6	103.1	320.9	9.8	330.7	1,401.4	24
1966	444.2	617.4	1,061.6	109.4	329.3	14.0	343.3	1,514.3	23
1967	476.2	672.9	1,149.1	117.9	344.7	20.1	364.9	1,631.9	22
1968	513.9	757.6	1,271.5	128.4	373.1	21.4	394.5	1,794.4	22
1969	548.7	882.1	1,430.8	137.9	382.0	30.6	412.6	1,981.3	21
1970	586.3	959.0	1,545.5	149.3	401.6	38.8	440.4	2,135.0	21
1971	648.3	1,045.0	1,693.3	166.3	435.2	39.9	475.1	2,334.6	20
1972	734.4	1,176.1	1,910.5	178.6	461.1	41.4	502.5	2,591.5	19
1973	821.3	1,335.6	2,156.9	187.4	481.5	59.8	541.3	2,885.6	19

[1] Includes debt of federally-sponsored agencies excluded from the Budget which amounted to $700,000,000 on Dec. 31, 1947; $30,600,000,000 on Dec. 31, 1969; $38,800,000,000 on Dec. 31, 1970; $39,900,000,000 on Dec. 31, 1971; and $41,400,000,000 on Dec. 31, 1972; and $59,800,000,000 on Dec. 31, 1973.

Source: Commerce and Treasury Departments.

TABLE 9.—ESTIMATED GROSS GOVERNMENT AND PRIVATE DEBT 1929 TO PRESENT

End of calendar year	Government debt: Amounts outstanding (billions): Federal[1]	Government debt: Amounts outstanding (billions): State and local	Government debt: Amounts outstanding (billions): Total	Government debt: Per capita[2]: Federal	Government debt: Per capita[2]: State and local	Government debt: Per capita[2]: Total	Private debt: Amounts outstanding (billions): Corporate business[3]	Private debt: Amounts outstanding (billions): Individual and non-corporate business	Private debt: Per capita[2]: Corporate business	Private debt: Per capita[2]: Individual and non-corporate business	Total Governmen. and private debt: Amount outstanding (billions)	Total Governmen. and private debt: Per capita
1929	$17.5	$17.8	$35.3	$143	$145	$288	$107.0	$72.9	$874	$595	$215.2	$1,757
1932	22.0	19.7	41.7	176	157	333	96.1	57.1	767	456	194.9	1,555
1933	25.3	19.5	44.8	201	155	355	92.4	51.0	733	404	188.2	1,493
1934	33.0	19.2	52.2	260	151	411	90.6	49.8	714	392	192.9	1,520
1939	48.8	20.1	68.9	371	153	524	86.8	50.8	660	386	206.5	1,569
1940	52.2	20.2	72.4	393	152	545	89.0	53.0	670	399	214.4	1,615
1941	65.6	20.0	85.6	489	149	638	97.5	55.6	727	414	238.7	1,779
1945	279.6	16.0	295.6	1,987	114	2,101	99.5	54.7	707	389	449.8	3,197
1946	260.7	16.1	276.8	1,825	113	1,938	109.3	59.9	765	419	446.0	3,123
1947	257.6	17.5	275.1	1,771	120	1,891	128.9	69.4	886	477	473.4	3,254
1948	253.8	19.6	273.4	1,715	132	1,847	139.4	80.6	942	545	493.4	3,334
1949	257.9	22.2	280.1	1,713	147	1,860	140.3	90.4	932	600	510.8	3,393
1950	257.8	25.3	283.1	1,685	165	1,850	167.7	104.3	1,096	682	555.1	3,627
1951	260.2	28.0	288.2	1,671	180	1,851	191.9	114.3	1,232	734	594.4	3,817
1952	268.3	31.0	299.3	1,694	196	1,890	202.9	129.4	1,281	817	631.6	3,988
1953	276.0	35.0	311.0	1,714	217	1,931	212.9	143.2	1,322	889	667.1	4,142
1954	279.5	40.2	319.7	1,705	245	1,950	217.6	157.2	1,327	959	694.5	4,236
1955	282.2	46.3	328.5	1,691	276	1,961	253.9	180.1	1,522	1,079	762.5	4,552
1956	278.3	50.1	328.4	1,638	294	1,925	277.3	195.5	1,632	1,151	801.2	4,696
1957	278.1	54.7	332.8	1,609	315	1,918	295.8	207.6	1,712	1,201	836.2	4,820
1958	285.3	60.4	345.7	1,624	342	1,960	312.0	222.9	1,776	1,269	880.6	4,992
1959	296.5	66.6	363.1	1,653	371	2,024	341.4	245.0	1,903	1,366	949.5	5,293
1960	296.6	72.0	368.6	1,627	395	2,022	365.1	263.3	2,002	1,444	997.0	5,469
1961	303.0	77.6	380.6	1,635	419	2,054	391.5	284.8	2,112	1,537	1,056.9	5,704

End of calendar year	Government debt: Amounts outstanding (billions): Federal	State and local	Total	Per capita [2]: Federal	State and local	Total	Private debt: Amounts outstanding (billions): Corporate business [3]	Individual and non-corporate business	Per capita [2]: Corporate business	Individual and non-corporate business	Total Government and private debt: Amount outstanding (billions)	Per capita
962	$311.3	$83.4	$394.7	$1,654	$443	$2,097	$421.5	$311.9	$2,240	$1,658	$1,128.1	$5,994
1963	317.4	89.5	406.9	1,663	469	2,131	457.1	345.8	2,395	1,812	1,209.8	6,337
1964	327.0	95.5	422.5	1,690	494	2,183	497.3	380.1	2,570	1,965	1,299.9	6,718
1965	330.7	103.1	433.8	1,688	526	2,214	551.9	415.7	2,818	2,124	1,401.8	7,156
1966	343.3	190.4	452.7	1,736	553	2,290	617.4	444.2	3,123	2,247	1,514.3	7,660
1967	364.9	117.9	482.8	1,827	590	2,417.	672.9	476.2	3,370	2,385	1,631.9	8,172
1968	373.1	128.4	501.5	1,850	637	2,487	757.6	513.9	3,862	2,548	1,794.4	8,896
1969	382.0	137.9	519.9	1,875	673.	2,547	882.1	548.7	4,478	2,691	1,981.3	9,719
1970	410.6	149.3	550.9	1,950	724	2,673	959.0	586.3	4,820	2,796	2,135.0	10,289
1971	435.2	166.3	601.5	2,091	804	2,895	1,045.0	648.3	5,155	3,032	2,334.6	11,083
1972	461.1	178.6	639.7	2,200	862	3,062	1,176.1	734.4	5,663	3,410	2,591.5	12,135
1973	481.5	187.4	668.9	2,293	892	3,185	1,335.6	821.3	6,360	3,911	2,885.6	13,741

[1] Total Federal securities, including public debt and Budget agency securities.
[2] Debt divided by the population of the conterminous United States and including armed forces overseas. Alaska is included, beginning 1959; and Hawaii, beginning in 1960.
[3] Includes debt of federally-sponsored agencies excluded from the budget.

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

Note: Details may not add to totals because of rounding.

TABLE 10.—GROSS GOVERNMENT AND PRIVATE DEBT RELATED TO GROSS NATIONAL PRODUCT

End of calendar year	Gross national product [1] (billions)	Ratios of debt to gross national product (percent): Federal	State and local	Corporate	Individual and non-corporate	Total	End of calendar year	Gross national product [1] (billions)	Ratios of debt to gross national product (percent): Federal	State and local	Corporate	Individual and non-corporate	Total
1929	$96.7	18.1	18.4	110.7	75.4	222.5	1956	$433.2	64.2	11.6	64.0	45.1	184.9
1932	56.8	38.7	34.7	169.2	100.5	343.1	1957	438.1	63.5	12.5	67.5	47.4	190.8
1933	60.3	42.0	32.3	153.2	84.6	312.1	1958	469.2	60.8	12.9	66.5	47.5	187.6
1934	68.6	48.1	28.0	132.1	72.6	280.8	1959	496.8	59.7	13.4	68.7	49.3	190.8
1939	94.8	51.5	21.2	91.6	53.6	217.8	1960	503.4	58.9	14.3	72.5	52.3	197.7
1940	107.6	48.5	18.8	82.7	49.3	199.3	1961	542.8	55.8	14.3	72.1	52.5	194.7
1941	138.8	47.3	14.4	70.2	40.1	172.0	1962	574.7	54.2	14.5	73.3	54.3	196.6
1945	196.0	142.6	8.2	50.8	27.9	229.5	1963	611.8	51.9	14.6	74.7	56.5	197.9
1946	221.4	117.8	7.3	49.4	27.1	201.4	1964	654.0	50.0	14.6	76.0	58.1	199.1
1947	245.0	105.1	7.1	52.6	28.3	193.2	1965	719.2	46.0	14.3	76.7	57.8	194.9
1948	261.2	97.2	7.5	53.4	30.9	188.9	1966	772.6	44.4	14.2	79.9	57.5	196.0
1949	260.5	99.0	8.5	53.9	34.7	196.1	1967	825.0	44.2	14.3	81.5	57.7	197.8
1950	311.2	82.8	8.1	53.9	33.5	178.4	1968	898.6	41.5	14.3	86.7	57.2	199.7
1951	338.2	76.9	8.3	56.7	33.8	175.8	1969	953.7	40.1	14.4	95.7	57.5	207.7
1952	361.0	74.3	8.6	56.2	35.8	175.5	1970	1,009.5	39.9	14.8	98.6	57.2	210.6
1953	360.8	76.5	9.7	59.0	39.7	148.9	1971	1,098.4	39.8	15.3	98.1	57.7	210.9
1954	379.8	73.6	10.6	57.3	41.4	182.9	1972	1,220.8	37.8	14.8	97.2	58.6	208.4
1955	409.7	68.9	11.3	62.0	44.0	185.9	1973	1,290.0	37.3	14.5	108.2	63.7	223.7

[1] Implied level end of year, calculated as the average of the 4th and 1st calendar quarters at seasonally adjusted annual rates for the years 1939 through present. Prior to 1939, averages of 2 calendar year figures are used as the best approximation of Dec. 31 levels.

Note: Details may not add to totals because of rounding.

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

TABLE 11.—ESTIMATED NET GOVERNMENT AND PRIVATE DEBT, BY MAJOR CATEGORIES

[Dollar amounts in billions]

Dec. 31	Private: Individual	Corporate	Total	State and local	Federal	Total	Federal as a percent of total	Dec. 31	Private: Individual	Corporate [1]	Total	State and local	Federal	Total	Federal as a percent of total
1916	$36.3	$40.2	$76.2	$4.5	$1.2	$82.2	1	1955	180.1	215.0	395.1	41.1	229.6	665.8	35
1919	43.9	53.3	97.2	5.5	25.6	128.3	20	1956	195.5	234.1	429.6	44.5	224.3	698.4	32
1929	72.9	88.9	161.8	13.6	16.5	191.9	9	1957	207.6	249.1	456.7	48.6	223.0	728.3	31
1932	57.1	80.0	137.1	16.6	21.3	175.0	12	1958	222.9	262.0	484.9	53.7	231.0	769.6	30
1933	51.0	76.9	127.9	16.3	24.3	168.5	14	1959	245.0	287.0	532.0	59.6	241.4	833.0	29
1934	49.8	75.5	125.3	15.9	30.4	171.6	18	1960	263.3	306.3	569.6	64.9	239.8	874.2	27
1939	50.8	73.5	124.3	16.4	42.6	183.3	23	1961	284.8	328.3	613.1	70.5	246.7	930.3	27
1940	53.0	75.6	128.6	16.4	44.8	189.8	24	1962	311.9	353.5	665.4	77.0	253.6	996.0	25
1941	55.6	83.4	139.0	16.1	56.3	211.4	27	1963	345.8	383.6	729.5	83.9	257.5	1,070.9	24
1945	54.7	85.3	140.0	13.4	252.5	405.9	62	1964	380.1	417.1	797.2	90.4	264.0	1,151.6	23
1946	59.9	93.5	153.4	13.7	229.5	396.6	58	1965	415.7	463.2	878.9	98.3	266.4	1,243.6	21
1947	69.4	109.6	179.0	15.0	221.7	415.7	53	1966	444.2	517.8	962.0	104.8	271.8	1,338.6	20
1948	80.6	118.4	199.0	17.0	215.3	431.3	50	1967	476.2	562.7	1,038.9	113.4	286.5	1,438.8	20
1949	90.4	118.7	209.1	19.1	217.6	445.8	49	1968	513.9	652.9	1,166.8	123.9	291.9	1,582.5	18
1950	104.3	142.8	247.1	21.7	217.4	486.2	45	1969	548.7	764.8	1,313.5	133.3	289.3	1,736.0	17
1951	114.3	163.8	278.1	24.2	216.9	519.2	42	1970	586.3	836.5	1,422.8	145.0	301.1	1,868.9	16
1952	129.4	172.3	301.7	27.0	221.5	550.2	40	1971	648.3	909.2	1,557.5	162.4	325.9	2,045.8	16
1953	143.2	180.9	324.1	30.7	226.8	581.6	39	1972	734.4	1,019.7	1,759.1	175.0	341.2	2,270.2	15
1954	157.2	184.1	341.3	35.5	229.1	605.9	38	1973	821.3	1,170.9	1,992.2	184.5	349.1	2,525.8	14

[1] Includes debt of privately owned, federally-sponsored agencies excluded from the Budget which amounted to $700,000,000 on Dec. 31, 1947; $30,600,000,000 on Dec. 31, 1969; $38,800,000,000, on Dec. 31, 1970; $39,900,000,000 on Dec. 31, 1971; $41,400,000,000 on Dec. 31, 1972; and $59,800,000,000 on Dec. 31, 1973.

Source: Commerce and Treasury Departments.

TABLE 12.—ESTIMATED NET GOVERNMENT AND PRIVATE DEBT, 1916 TO PRESENT

End of calendar year	Government debt: Amounts outstanding (billions): Federal[1]	Government debt: Amounts outstanding (billions): State and local	Government debt: Amounts outstanding (billions): Total	Government debt: Per capita[2]: Federal	Government debt: Per capita[2]: State and local	Government debt: Per capita[2]: Total	Private debt: Amounts outstanding (billions): Corporate business[3]	Private debt: Amounts outstanding (billions): Individual and non-corporate business	Private debt: Per capita[2]: Corporate business	Private debt: Per capita[2]: Individual and non-corporate business	Total Government and private debt: Amount outstanding (billions)	Total Government and private debt: Per cap ta
1916	$1.2	$4.5	$5.7	$12	$44	$56	$40.2	$36.3	$391	$353	$82.2	$80
1929	16.5	13.6	30.1	135	111	246	88.9	72.9	726	595	191.9	1,567
1932	21.3	16.6	37.9	170	132	302	80.0	57.1	638	456	175.0	1,396
1933	24.3	16.3	40.6	193	129	322	76.9	51.0	610	404	168.5	1,336
1934	30.4	55.9	46.3	240	125	365	75.5	49.8	595	392	171.6	1,352
1939	42.6	16.4	59.0	324	125	448	73.5	50.8	559	386	183.3	1,393
1940	44.8	16.4	61.2	337	123	461	75.6	53.0	569	399	189.8	1,429
1941	56.3	16.1	72.4	420	120	540	83.4	55.6	622	414	211.4	1,576
1945	252.5	13.4	265.9	1,795	95	1,890	85.3	54.7	606	389	405.9	2,885
1946	229.5	13.7	243.2	1,607	96	1,703	93.5	59.9	655	419	396.6	2,777
1947	221.7	15.0	236.7	1,524	103	1,627	109.6	69.4	753	477	415.7	2,858
1948	215.3	17.0	232.3	1,455	115	1,570	118.4	80.6	800	545	431.3	2,914
1949	217.6	19.1	236.7	1,445	127	1,572	118.7	90.4	788	600	445.8	2,961
1950	217.4	21.7	239.1	1,421	142	1,562	142.8	104.3	933	682	486.2	3,177
1951	216.9	24.2	241.1	1,393	155	1,548	163.8	114.3	1,052	734	519.2	3,334
1952	221.5	27.0	248.5	1,399	170	1,569	172.3	129.4	1,088	817	550.2	3,474
1953	226.8	30.7	257.5	1,408	191	1,599	180.9	143.2	1,123	889	581.6	3,611
1954	229.1	35.5	264.6	1,397	217	1,604	184.1	157.2	1,123	959	605.9	3,696
1955	229.6	41.1	270.7	1,376	245	1,616	215.0	180.1	1,289	1,099	665.8	2,975
1956	224.3	44.5	268.8	1,320	261	1,576	234.1	195.5	1,378	1,151	698.4	4,094
1957	223.0	48.6	271.6	1,290	280	1,565	249.1	207.6	1,441	1,201	728.3	4,198
1958	231.0	53.7	284.7	1,315	304	1,614	262.0	222.9	1,491	1,269	769.6	4,363
1959	241.4	59.6	301.0	1,346	332	1,678	287.0	245.0	1,600	1,366	833.0	4,643
1960	239.8	64.9	304.7	1,315	356	1,671	206.3	263.3	1,680	1,444	874.2	4,795
1961	246.7	70.5	317.2	1,331	380	1,712	328.3	284.3	1,771	1,537	930.0	5,021
1962	253.6	77.0	330.6	1,348	409	1,757	353.5	311.9	1,879	1,658	996.0	5,292
1963	257.5	83.9	341.4	1,349	439	1,788	383.6	345.8	2,010	1,812	1,070.9	5,610
1964	264.0	90.4	354.4	1,364	467	1,832	417.1	380.1	2,156	1,965	1,151.6	5,951
1965	266.4	98.3	364.7	1,360	502	1,862	463.2	415.7	2,365	2,123	1,243.6	6,350
1966	271.8	104.8	376.6	1,375	530	1,905	517.8	444.2	2,619	2,246	1,338.7	6,771
1967	286.5	113.4	399.9	1,434	568	2,001	562.7	476.2	2,818	2,383	1,438.8	7,205
1968	291.9	123.9	415.8	1,447	614	2,061	652.9	513.9	3,202	2,547	1,582.5	7,846
1969	289.3	133.3	422.6	1,419	654	2,073	764.8	548.7	3,791	2,692	1,736.0	8,514
1970	301.0	145.0	446.1	1,461	704	2,165	836.5	586.3	4,104	2,845	1,868.9	9,001
1971	325.9	162.4	488.3	1,566	780	2,347	909.2	648.3	4,369	3,116	2,045.8	9,703
1972	341.2	175.0	516.2	1,627	835	2,461	1,019.7	734.4	4,862	3,502	2,270.2	10,631
1973	349.1	184.5	533.6	1,745	879	2,526	1,170.9	821.3	5,544	3,911	2,525.8	11,958

[1] Borrowing from the public.

[2] Debt divided by the population of the conterminous United States and including Armed Forces overseas. Alaska is included beginning 1959 and Hawaii beginning in 1960.

[3] Includes debt of federally-sponsored agencies excluded from the budget.

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

TABLE 13.—NET GOVERNMENT AND PRIVATE DEBT RELATED TO GROSS NATIONAL PRODUCT

End of calendar year	Gross national product[1] (in billions)	Ratios of debt to gross national product (percent): Federal	State and local	Corporate	Individual and non-corporate	Total
1929	$96.7	17.1	14.1	91.9	75.4	198.4
1932	56.8	37.5	29.2	140.8	100.5	308.1
1933	60.3	40.3	27.0	127.5	84.6	279.4
1934	68.6	44.3	23.2	110.1	72.6	250.1
1939	94.8	44.9	17.3	77.5	53.6	193.4
1940	107.6	41.6	15.2	70.3	49.3	176.4
1941	138.8	60.6	11.6	60.1	40.1	152.3
1945	196.0	128.8	6.8	43.5	27.9	207.1
1946	221.4	103.7	6.2	42.2	27.1	179.1
1947	245.0	90.5	6.1	44.7	28.3	169.7
1948	261.2	82.4	6.5	45.3	30.9	165.1
1949	260.5	83.5	7.3	45.6	34.7	171.1
1950	311.2	69.9	7.0	45.9	33.5	156.2
1951	338.2	64.1	7.2	48.4	33.8	153.5
1952	361.0	61.4	7.5	47.7	35.8	152.4
1953	360.8	62.9	8.5	50.1	39.7	161.2
1954	379.8	60.3	9.3	48.5	41.4	159.5
1955	409.7	56.0	10.0	52.5	44.0	162.4
1956	$433.2	51.8	10.3	54.0	45.1	161.1
1957	438.1	50.9	11.1	56.9	47.4	166.0
1958	469.2	49.2	11.4	55.8	47.5	163.8
1959	496.8	48.6	12.6	57.8	49.3	167.5
1960	503.4	47.6	12.9	60.8	52.3	173.6
1961	542.8	45.4	13.0	60.5	52.5	171.3
1962	574.7	44.1	13.4	61.5	54.3	173.3
1963	611.8	42.1	13.7	62.7	56.5	175.0
1964	654.0	40.4	13.8	63.8	58.1	176.1
1965	719.2	37.0	13.7	64.4	57.8	172.9
1966	772.6	35.2	13.6	67.0	57.5	173.3
1967	825.0	34.7	13.7	68.2	57.7	174.8
1968	898.6	32.5	13.8	72.7	57.2	176.1
1969	953.7	30.3	13.9	80.2	57.5	182.0
1970	1,009.5	29.9	14.4	82.7	57.2	184.2
1971	1,098.4	29.8	14.9	82.2	57.5	184.6
1972	1,220.8	28.0	14.5	81.6	58.5	182.5
1973	1,290.0	27.1	14.3	90.8	63.6	195.8

[1] Implied level end of year, calculated, as the average of the 4th and 1st calendar quarters at seasonally adjusted annual rates for the years 1939 through present. Prior to 1939, averages of 2 calendar year figures are used as the best approximation of Dec. 31 levels.

Notes: Detail may not add to total because of rounding.

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

TABLE 14.—ESTIMATED FEDERAL DEBT RELATED TO POPULATION AND PRICES, 1929-73

Dec. 31	Federal debt (billions): Gross[1]	Net[2]	Privately held net[3]	Per capita Federal debt[4]: Gross[1]	Net[2]	Privately held net[3]	Real per capita Federal debt[5]: Gross[1]	Net[2]	Privately held net[3]
1929	$17.5	$16.5	$16.0	$143	$135	$131	$385	$363	$353
1932	22.0	21.3	19.4	176	170	155	621	601	547
1933	25.3	24.3	21.9	201	193	174	705	678	610
1934	33.3	30.4	28.0	260	240	221	895	826	761
1939	48.8	42.6	40.1	371	324	305	1,227	1,075	1,012
1940	52.2	44.8	42.6	393	337	321	1,288	1,104	1,052
1941	65.6	56.3	54.0	489	420	402	1,461	1,256	1,201
1945	279.6	252.5	228.2	1,987	1,795	1,622	5,052	4,563	4,123
1946	260.7	229.5	206.1	1,825	1,607	1,433	3,924	3,455	3,081
1947	257.6	221.7	199.1	1,771	1,524	1,369	3,497	3,009	2,704
1948	253.8	215.3	192.0	1,715	1,455	1,297	3,297	2,797	2,494
1949	257.9	217.6	197.7	1,713	1,445	1,313	3,352	2,828	2,570
1950	257.8	217.4	196.6	1,685	1,421	1,285	3,118	2,630	2,377
1951	260.2	216.9	193.1	1,671	1,393	1,240	2,918	2,433	2,165
1952	268.3	221.5	196.8	1,694	1,399	1,243	2,934	2,423	2,153
1953	276.0	226.8	200.9	1,714	1,408	1,247	2,951	2,424	2,147

Dec. 31	Federal debt (billions)			Per capita Federal debt [4]			Real per capita Federal debt [5]		
	Gross [1]	Net [2]	Privately held net [3]	Gross [1]	Net [2]	Privately held net [3]	Gross [1]	Net [2]	Privately held net [3]
1954	279.5	229.1	204.2	1,705	1,397	1,246	2,950	2,416	2,155
1955	282.2	229.6	204.8	1,691	1,376	1,227	2,911	2,367	2,112
1956	278.3	224.3	199.4	1,638	1,320	1,174	2,742	2,210	1,965
1957	278.1	223.0	198.8	1,609	1,290	1,150	2,617	2,098	1,870
1958	285.3	231.0	204.7	1,624	1,315	1,165	2,595	2,101	1,862
1959	296.5	241.4	214.8	1,653	1,346	1,197	2,602	2,119	1,884
1960	296.6	239.8	212.4	1,627	1,315	1,165	2,525	2,041	1,808
1961	303.0	246.7	217.8	1,635	1,331	1,175	2,520	2,051	1,810
1962	311.3	253.6	222.8	1,654	1,348	1,184	2,517	2,051	1,802
1963	317.4	257.5	223.9	1,663	1,349	1,173	2,490	2,052	1,755
1964	327.0	264.0	227.0	1,690	1,364	1,173	2,501	2,019	1,736
1965	330.7	266.4	225.6	1,688	1,360	1,152	2,452	1,976	1,673
1966	343.3	271.8	227.5	1,736	1,375	1,151	2,437	1,930	1,616
1967	364.9	286.4	237.3	1,827	1,435	1,188	2,490	1,956	1,620
1968	373.1	291.9	238.9	1,850	1,447	1,182	2,408	1,832	1,538
1969	382.0	289.3	232.1	1,874	1,420	1,140	2,923	1,738	1,395
1970	401.6	301.1	239.0	1,950	1,462	1,160	2,266	1,699	1,348
1971	435.2	325.9	255.1	2,091	1,566	1,227	2,352	1,763	1,381
1972	461.1	341.2	269.9	2,200	1,628	1,288	2,394	1,771	1,345
1973	481.5	349.1	268.6	2,293	1,662	1,279	2,293	1,662	1,279

[1] Total Federal securities outstanding, unified budget concept.
[2] Borrowing from the public, unified budget concept. Gross Federal debt less securities held by Government accounts.
[3] Borrowing from the public less Federal Reserve holdings.
[4] Debt divided by population of the conterminous United States, and including Armed Forces overseas.
[5] Per capita debt expressed in December 1973 prices (consumer price index for all items).

TABLE 15.—PRIVATELY HELD FEDERAL DEBT RELATED TO GNP

[Dollar amounts in billions]

Dec. 31	Gross national product [1]	Privately held debt [2]	Ratio of debt to GNP (percent)	Year-to-year price changes [3] (percent)
1929	$96.7	$16.0	16.5	0.2
1932	56.8	19.4	34.2	−10.3
1933	60.3	21.9	36.3	.5
1934	68.6	28.0	40.8	2.0
1939	94.8	40.1	42.3	−.5
1940	107.6	42.6	39.6	1.0
1941	138.8	54.0	38.9	9.7
1945	196.0	228.2	116.4	2.3
1946	221.4	206.1	93.1	18.2
1947	245.0	199.1	81.3	9.0
1948	261.2	192.0	73.5	2.7
1949	260.5	197.7	75.9	−1.8
1950	311.2	196.6	63.2	5.8
1951	338.2	193.1	57.1	5.9
1952	361.0	196.8	54.5	.9
1953	360.8	200.9	55.7	.6
1954	379.8	204.2	53.8	−.5
1955	409.7	204.8	50.0	.4
1956	443.2	199.4	46.0	2.9
1957	438.1	198.8	45.4	3.3
1958	469.2	204.7	43.6	1.8
1959	496.8	214.8	43.2	3.5
1960	503.4	212.4	42.2	1.5
1961	542.8	217.8	40.1	.7
1962	574.7	222.8	38.8	1.2
1963	611.8	223.9	36.6	1.6
1964	654.0	227.0	34.7	1.2
1965	719.2	225.6	31.4	1.9
1966	772.6	227.5	29.4	3.4
1967	825.0	237.3	28.8	3.0
1968	898.6	238.9	26.6	4.7
1969	953.7	232.1	24.3	6.1
1970	1,009.5	239.0	23.7	5.5
1971	1,098.4	255.1	23.2	3.4
1972	1,220.8	269.9	22.1	3.4
1973	1,290.0	268.6	21.0	8.8

[1] Implied level of gross national product, Dec. 31.
[2] Borrowing from the public less Federal Reserve holdings, unified budget concept.
[3] Measured by the all item Consumer Price Index, December-to-December basis.

Source: Office of the Secretary of the Treasury, Office of Debt Analysis, May 30, 1974.

Mr. LONG. It is particularly interesting to note that the major increases in debt in recent years have not really occurred in Government debt. Rather, it is private debt that has increased. It is in that area that we should be concerned, for the most part, for students of economics note that it is the private sector rather than the public sector which is placing the heavy burden upon our system of credit.

For example, the Federal debt is a relatively small percentage of total government and private debt.

If one looks at what I believe to be the key factors, the percentage of privately held Federal debt compared to all other debt, it has declined to where it is now 19 percent of the total. Compare that to the situation which existed in 1945 when the figure was 62 percent. So, on the whole, we can find a very considerable number of things about which we can feel that the picture is not dismal with regard to the Federal debt even though, looking at the size of the Federal debt without relating it to all the factors, one might be concerned.

Mr. BENNETT. Mr. President, I want to indicate my support for the legislation that is now before us to increase the temporary debt limit to $495 billion through March 31, 1975. I know that this legislation is not pleasing to any Member of this Chamber. In fact, I myself am not happy that present conditions force us to increase the debt limit. But the plain fact is that there is no feasible alternative to this bill. We must provide a ceiling adequate to permit the Government to continue to operate and meet its financial obligations.

In considering this bill it is most important to keep in mind that the proposed increase in the debt limit is not the cause of our fiscal problems. We are here today to provide new legislation on the debt ceiling because the Federal Government has been spending more than its receipts and incurring large budgetary deficits which have to be financed through borrowing. In other words, if we want to avoid increasing the debt limit, we have to keep our spending within proper limits. After the Federal Government has spent the money, we have to pay the bills. This is the real reason we need this legislation.

Mr. President, many people seem to think the present law setting a debt limit is a means of controlling Government spending, but it is like locking the stable door after the horse is out of the barn. I do not say "after the horse has been stolen."

I think it might be interesting to place in the RECORD again the reason we have a debt ceiling. As I remember, it was in the 1920's, after World War I, that Congress found it necessary to use this device to avoid the responsibility that existed up to that time to pass a special law every time the Secretary of the Treasury had to sell a new issue of bonds. In order to justify this surrender of its responsibility, Congress put a ceiling on the debt and said that as long as the total bonds are less than the ceiling, the Secretary is free to go ahead and issue them. That was in the day when the debt was very small.

Today, when the debt is $475 billion, the Secretary is issuing new debt obligations literally every week or more than once a week in order to keep the whole matter rolling, so that it would be completely impossible for Congress to accept again the responsibility of passing a new law every time the Secretary had to issue a new bond issue.

When first set, the ceiling was set so high Congress felt it would never be reached. But as a result of World War II, particularly, and other wars that followed, plus the fact that for most years since the 1930's we operated with a budget deficit, we keep bumping against the ceiling.

My own impression is that it has little relation to the needs to operate our Government but it does have a political advantage in that there are those who use the debt limit ceiling legislation with the thought of amending it because the President does not dare veto it. As a result, three or four times a year now we go through the charade and we have a long debate; we discuss very pontifically the problem about deficits and ceilings, and in the end we raise the ceiling because we have no other choice. I think we are embarking on a similar situation at this time.

I think that there is little doubt that the proposed increase in the temporary debt limit to $495 billion is absolutely vital. Without this action, the debt limit will revert to the permanent ceiling of $400 billion on July 1 of this year. We cannot permit this to happen because the actual amount of debt subject to limit is already substantially above $400 billion. In fact, according to Treasury estimates, the debt subject to limit on July 1 will exceed the permanent limit by about $75 billion.

In other words, it is already up to $475 billion.

The $495 billion temporary debt ceiling that this bill provides for the period through March 31, 1975, is a very tight ceiling. It is about $10 billion below the temporary ceiling the Treasury requested to cover the Federal Government's financing requirements through the fiscal year 1975. In addition, the $495 billion ceiling in the bill does not provide any

leeway for the usual $3 billion contingency margin and the $3 billion allowances that the administration has requested to provide for Federal Home Loan Bank borrowing from the Treasury under the new housing program. This means that in adopting this legislation we will be keeping a tight rein on spending. The new debt limit is just large enough to enable the Federal Government to squeeze through to the end of March of next year with very little, if any, margin.

To me that it does not seem to be a reasonable point of view, but those who believe that the debt ceiling is actually a device to control spending, and some of those who believe the present administration should be spanked for something, believe there should be this pressure to keep the ceiling tight.

I do not think that it is necessary for me to point out in detail to this body the awesome consequences that would ensue if we were to fail to adopt an adequate debt ceiling. The results would just be unthinkable. It would mean that the Government would be compelled to stop payment on virtually all of its obligations, including the salaries of Senators, by the way. This would be disastrous not only at home but also abroad since it would disrupt the international monetary system.

However, the very fact that this debt ceiling legislation is so vital tends to create other problems. It gives rise to attempts to add on to the legislation other provisions which could not be adopted standing alone. Our job is to pass this debt ceiling bill without extraneous amendments which should be considered in separate legislation and on their own merits.

More specifically, tax reduction provisions should not be included in this bill particularly in view of the present inflationary situation. Such tax reduction provisions are too important a matter and involve issues that are too serious to be tacked hurriedly on other legislation.

Much is made of the need for tax relief at the present time and I can well understand this in view of the high prices that we all must pay. However, there is great danger that tax reduction now will make the situation worse rather than better by increasing inflationary pressures. For example, an increase of only 1 percent in consumer prices adds an extra $8½ billion to consumers' burdens and we all know that the economic burden resulting from inflation is the most inequitable kind of a tax, falling hardest on the poor.

I am making a plea for fiscal responsibility. The economic facts show conclusively that this is not a time to rush into large tax reduction.

In recent years this country has been going through what is probably the worst peacetime inflation in its history. In 1973, the consumer price index alone rose 9 percent and the wholesale price index 18 percent. And in the first four months of this year, consumer prices increased at an annual rate of 12 percent and wholesale prices at the higher rate of 21 percent. The 21-percent rate of increase in wholesale prices suggests still worse conditions in the period ahead when those prices are reflected in prices paid by the consumer.

Of course, the inflation during the first 3 months of this year was primarily in food and energy prices. However, there are signs that inflation is spreading to other sections of the economy.

Mr. President, in April, price increases of 4 percent or more—which translate to 48 percent on an annual basis were recorded in chemical, rubber, lumber, paper, and the metal industries.

These increases were the post-price-freeze increases that those of us who realized the price freezes would not work knew would inevitably come. Whenever we have price freezes, we simply shut off the pressures, contain the pressures, for price increases, and when the freeze is lifted, they come up all at once, thus creating the sense that they are actually higher than they would have been otherwise. Most of these freezes in these particular industries, and most of the other industries in the United States, trace back to that fact.

The Council of Economic Advisors has indicated that the situation will improve and we will be down to an inflation rate of 7 percent by the end of the year. However, it is obvious that the present rate of inflation is highly dangerous and that we should not take any action which will exacerbate.

I realize that many of those who advocate incorporating tax reduction amendments in the debt ceiling bill are aware of the inflationary problems that we face. They have generally sought to meet these problems by proposing a number of changes aimed at tax reform which are designed to raise revenue to offset revenue losses resulting from their tax relief proposals. However, while I agree that there is a need for tax reform, I really do not think that it is feasible to achieve tax reform through amendments to the pending debt ceiling bill. Tax reform, by its very nature, requires careful consideration and cannot be achieved hurriedly. This is because our tax system is very complex, involving difficult issues of equity, administration and economic effect. The only way that these difficult issues can be resolved successfully is to have them go through the tax writing committees of both houses of the Congress, where they can be studied carefully with adequate technical assistance from congressional staffs and the Treasury Department. This is already being done. The Ways and Means Committee is now engaged in writing a tax reform bill and has already come up with substantial changes in the tax laws. Changes aimed at tax reform should also go through the regular process of consideration by the Senate Finance Committee. However, if we try to shortcut this logical process and deal with complicated tax reform provisions hurriedly on the floor of the Senate before they have received adequate consideration by the tax-writing committees, we are likely to wreck the tax laws and do inestimable damage to the economy.

It may take us a long time to correct the mistakes we could make with emotional action on the floor. We just have to face the fact that we cannot write a good tax bill on the floor of the Senate.

These considerations give us no choice if we want to act responsibly.

We must pass the debt ceiling bill as it came from the Finance Committee, a simple extension, with no amendments. While I realize this must be a kind of hopeless hope, I certainly will do everything in my power to keep amendments off the bill.

Mr. ALLEN. Mr. President, at the conclusion of my remarks, I plan to offer an amendment. I am ready, however, to vote immediately on the bill at any time the distinguished chairman of the Committee on Finance, the floor manager of the bill, would indicate that he is ready to move to third reading of the bill. I would certainly be delighted to yield the floor and not offer an amendment in order that we might vote on the bill.

Mr. LONG. I believe we have an understanding that there will be no votes until 3:30 p.m. I am on notice that amendments will be offered. Amendments not germane to the debt limit bill will be offered. I know how the Senator has reacted to some of these amendments, except it is my duty to protect the rights of other Senators so that I would be compelled to object to going to third reading until such time as all Senators who have amendments have had the chance to be present to offer them.

I can tell the Senator that, as of now, I am sure he will be disappointed to find there are a lot of amendments to be offered, many of them totally nongermane to the pending bill.

Mr. ALLEN. I thank the distinguished Senator for his explanation. I am sure he understands that the Senator from Alabama was not trying to force the bill to third reading at this time. I merely was pointing out that I have no objection to a consideration and to a vote up and down on the bill. The Senator from Alabama is offering no objection to the bill itself and he is reading to go ahead and vote.

Mr. LONG. I understand that.

Mr. ALLEN. The Senator from Alabama did not anticipate that his suggestions would be acceded to.

Mr. LONG. I understand that, Senator.

Mr. ALLEN. I thank the distinguished Senator, the chairman of the Committee on Finance, and I want to commend him for his great ability and his great expertise in this field of taxation.

I have marveled, as we have had tax matters come before the Senate, how the distinguished Senator from Louisiana is able to answer all questions with respect to amendments that are offered here on the floor. I have seen him combat a hundred or more amendments during the course of several days of debate. Always he understands the issue that is involved. He has the facts and the figures at his fingertips. He is always able to give a reasoned answer to the position he takes with respect to legislation involving taxes, or legislation involving revenue.

The Senator from Alabama would have appreciated it very much if the Finance Committee had thought it advisable to consider tax legislation at this

time, to have had the committee recommend a package for consideration by the Senate but, instead of that, we have only a 12-line bill which does increase for the period from now through March 31 of next year the amount of the temporary indebtedness that the National Government may have, and setting that figure at $95 billion.

Now, Mr. President, people throughout the country wonder, I am sure, why it is necessary to have legislation coming up every few months having to do with the debt ceiling. Many people throughout the country do not understand just what the debt ceiling is.

Of course, our total debt, the debt of the National Government, is limited at this time, I believe, to $475.7 billion. That is divided into a permanent debt and I feel sure that it is permanent. I see no likelihood or hope of ever reducing the so-called permanent debt. It is properly named, all right.

Then that $400 billion of permanent debt is more or less set aside and no legislation is ever presented about that.

What the legislation applies to is the temporary authorized indebtedness of the Federal Government that was set last December at $75.7 billion.

It was provided that we would extend that authorization, through June 30 of this year. That is the reason we are now considerating this bill, raising the authorized temporary debt from $75.7 billion up to $95 billion and then extending the time during which that temporary debt might exist through March 31 of next year.

Now quite obviously, Mr. President, that will necessitate the Congress in March of next year considering and enacting additional legislation extending the period during which a temporary indebtedness might be carried and, in all likelihood, increasing that amount.

Well, Mr. President, the present method of handling the limitation on the national debt gives no incentive whatsoever, as the Senator from Alabama sees it, to prudent management, economical management, of the Nation's finances; because suppose they were able to reduce the indebtedness of the National Government by even $5 billion, which is extremely unlikely because they do not even project a balanced budget, but suppose they were able to have a surplus of $5 billion between now and March 31, that would not prevent the necessity of legislation at least extending the authorization for the temporary indebtedness. So there is no incentive whatsoever for prudent management insofar as the legislation regarding the national debt is concerned.

Suppose the debt was reduced by $5 billion, it would still have to be extended because there is no chance of being able to pay off the $75 billion in 5 or 6 months' time. That is what would be required here.

There have been times, Mr. President, when we did not have any temporary debt or limit. It was all embraced within the permanent indebtedness figure.

Back in 1947, the permanent indebtedness was $275 billion, with no temporary additional debt. All the way from 1947 through 1954, the permanent indebtedness was $275 billion, and that was also the total indebtedness, with no temporary additional debt. It may not have even been close to that. I do not know, but that is what the indebtedness was.

In 1955, through August 27, it was $275 billion, still with no temporary additional debt. Then apparently on August 28, 1955, they did put a $6 billion temporary additional debt, and that existed through the next year, 1956.

In the following year, they cut the temporary additional debt limit down to $3 billion, and the permanent debt was still the same. The next year, the temporary additional debt was wiped out entirely, and the Government was still living within the $275 billion total limitation.

Then, Mr. President, down through June 30, 1963, if I follow my lines correctly, during all that time, from 1947 to 1963, the statutory debt limit, under which the national debt had to be, was only $307 billion—just some 10 years ago. The following year it was raised to $309 billion. So, Mr. President, in the last 10 years the debt limit has been raised from $309 billion to $475.7 billion. We are scraping that amount right now, just about getting up to that, and will be within $1 or $2 billion of it, according to the Treasury estimates, on July 1.

That is an increase, Mr. President, of approximately $166 billion in the last 10 years. It has not all come during this administration, but more than half of it has, of course—possibly as much as two-thirds of that amount.

Mr. President, the bill that is before the Senate calls for increasing the temporary debt limit to $95 billion. If we look at this bill, we see that it is all on one page—a simple bill dealing with a very complex subject—and that it talks of increasing the public debt limit by $95 billion. It does not say what the other figure is to which the $95 billion is being added. As I stated earlier, that is $400 billion. That gets it up to $495 billion.

Mr. President, the amendment that I plan to offer is a simple amendment. It eliminates the $95 billion and inserts $90 billion. That would be an increase of $14.3 billion.

Mr. President, we see that in the current budget estimate, on page 3 of the committee report, it is estimated that the deficit is going to be only $11.4 billion. That is for the 1973 fiscal year, starting July 1 of this year. They estimate only $11 billion. It would seem that the $14.3 billion increase would be sufficient.

Mr. President, if this amendment is rejected, or is not acted upon, I would hope to offer another amendment which would extend this authorization for the temporary deficit through the remainder of the 1975 fiscal year, which would be through June 30, 1975.

I do not feel that using this debt limit legislation, which we must have before us twice or three times a year, and the adding of nongermane amendments to the bill, is in the public interest. Obviously, the President of the United States would want the Government to continue its operations; its sale of bonds; its sale of notes and bills; its refunding of its indebedness, which it is doing from time to time; its payment of the salaries of Government employees; its payment of social security checks; its payment of medicare payments. So it leaves the President at a disadvantage, in that he would have to take unsound amendments, unsound provisions, which would be forced on him in order to get the debt limitation extended and increased. In that way, laws are enacted that are not in the public interest but that have to be taken in order to get the provision of law extending the temporary debt limit authorization.

It would be much better, Mr. President, if this matter were handled through usual and customary methods and channels—that is, to have a separate bill dealing with the subject matter and then have the House and the Senate consider that legislation on its merits, rather than to seek to force unsound provisions into law by riding to enactment upon the back of "must" legislation.

Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. ALLEN. I yield for a question.

Mr. LONG. To be entirely fair, would it not seem to be unfair to those who are offering these nongermane amendments to the measure that there really is no other bill on the floor to which the amendments would be germane For example, I personally would favor, as the Senator knows, reducing the depletion allowance on foreign oil. I do think we need it for domestic oil so that we may become self-sufficient in energy. But the House has not sent us a bill on that subject, and it may be months before the House sends us a bill which deals with the subject of the depletion allowance. Likewise, we do not have any major tax cut sent to us. So it would be necessary to offer a nongermane amendment to some revenue bill to give the Senate an opportunity to vote on those issues.

Mr. ALLEN. I thank the distinguished Senator, and I am mindful of what he says. However, I seem to recall the Senator from Utah stating a few moments ago in his remarks that the Ways and Means Committee in the House of Representatives is in the process of marking up a bill, and the Senator from Alabama added to a tax bill, a tax bill pure and simple, would be nongermane, and that should be permissible to a bill that purports on its face to be a tax bill. But this bill that came from the House, and which the Committee on Finance acted on, does not contain a single tax provision. If the House, continuing its markup, passes such a bill and sends it to the Senate, then any tax amendment, in the view of the Senator from Alamaba, should be acted on in the Senate, and it would give us an opportunity to act.

It seems to me we are kind of getting the cart before the horse, when the Constitution provides that the House shall originate revenue measures. For the Senate to jump astride a simple bill having to do with the debt limit and to act on around 150 amendments on the floor of

the Senate, adding tax provisions to that measure and sending it back to the House for the appointment of a conference committee, then the rank and file member of the House would be deprived of the opportunity to have any input into a field of legislation that the Constitution says shall be his.

Mr. LONG. Does the Senator not know that this is a revenue bill and that if we amend it and send it to the House, the House still could amend our amendment?

Mr. ALLEN. Yes, but the Senator knows that the custom is to go to conference rather than to proceed on the floor.

Mr. LONG. As a matter of fact, it is my understanding and I think I am correct, that this bill could be referred to a committee in the House.

Mr. ALLEN. Yes.

Mr. LONG. And the House could conduct more hearings, offer floor amendments, and send it back to us again.

Mr. ALLEN. Yes, that is true, but the trouble is if we have a bill that has become a Christmas tree, by the time it gets to the House, it makes the House more anxious just to go to conference in order to get these nice provisions the Senate sent to them. So chances are there would be little legislating on the floor, a conference committee would be appointed, and the House would be reduced to accepting such amendments of the Senate as they wanted, or scaled down somewhat.

Mr. LONG. I am sure the Senator knows that is not necessarily the case. The House has a variety of producers available to it. They do not have to go to conference; they could hold hearings, amend it in committee or on the floor, and send it to us and ask for a conference.

Mr. ALLEN. I think the Senator will concede, however, that the usual procedure is to go to conference on bills of this sort.

Mr. LONG. That is correct.

Mr. ALLEN. I thank the Senator for his contribution to my discussion.

Now, Mr. President, it would seem to the Senator from Alabama that rather than go into a period of some 10 days or more in discussing these amendments, and the Senator from Louisiana has been kind enough to warn, or at least to suggest that there are a large number of amendments coming in, as we see amendments offered on the floor, amendments spawn amendments and we would have plenty of amendments to act upon. We would see the Senator from Louisiana opposing most of those amendments on the floor. I feel sure that once the Christmas tree concept comes into being and one candidate, shall I say, outdoes another candidate here in offering benefits to the folks back home, we would see other politically minded Senators trying to offer still more in tax reductions and tax concessions.

So I believe we want to try to avoid this Christmas tree possibility that we see looming on this bill.

Mr. President, we have read in the newspapers and heard through the media sources that it is the desire in the Senate to clear the decks, get rid of "must" legislation, to get rid of measures that we must have in order to run the national government, to take care to be ready for any contingency that might arise demanding the Senate's attention. I certainly agree on that and I am hopeful we will set a list of priorities that the Senate will follow to work on. I have in mind some 13 appropriation bills that have not been acted on in the Senate. Except for one or two that have not even passed the House, I wonder if we could not expedite consideration of these measures, measures that would provide for the ongoing of the U.S. Government, rather than to have an exercise in futility with regard to seeking to tack amendments on this piece of "must" legislation.

Why call it an "exercise in futility"? Well, many Senators, I am sure, heard the distinguished Senator from Louisiana on "Face the Nation" or "Meet the Press" yesterday when he was questioned very closely with regard to his views of the prospects of enacting tax legislation on this bill. One of the interrogators suggested that the distinguished chairman of the Ways and Means Committee in the House was not in favor of cutting individual income taxes. I believe that was the statement. For that reason it might be difficult to pass the bill in the other body. Then, the distinguished Senator from Louisiana agreed with that possibility and the prediction was made that the President would veto legislation of this sort and the distinguished Senator, I believe, agreed that we would not be able to override the veto in the Senate or in the House, and certainly in the Senate, as far as the prediction went.

We are not going to see this bill enacted into law. Why spend 10 days, 10 of the Nation's days that belong to the Nation for the consideration by the Senate of "must" legislation? Why, if it is not an exercise in futility, should we use 10 days on his bill?

Now, am I using the figure "10 days" carelessly? I think not. I have here, Mr. President, a schedule, and I ask unanimous consent that it be included fully in the RECORD at this point.

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

LEGISLATIVE SCHEDULE

91ST CONGRESS CALENDAR

H.R. 13270—Income tax reform, p. 185, p. 287:
Debate, 14 days (11/21/69–12/11/69).
Amd. printed, 160.
Amd. committee, ?.
Amd. adopted, 75.
Amd. rejected, 38.
Amd. laid on table, 1.
Amd. withdrawn, 3.

H.R. 17550—Amend the Social Security Act, p. 253:
Debate, 8 days (12/16/70–12/29/70).
Amd. printed, 116.
Amd. committee, ?.
Amd. adopted, 9.
Amd. rejected, 8.

92D CONGRESS CALENDAR

H.R. 1—Amend Social Security Act, p. 149:
Debate, 8 days (9/27/72–10/5/72).
Amd. printed, 173.
Amd. committee, En bloc.
Amd. adopted, 44.
Amd. rejected, 19.

H.R. 10947—Revenue Act of 1971, p. 198:
Debate, 10 days (11/11/71–11/22/71).
Amd. printed, 150.
Amd. committee, En bloc.
Amd. adopted, 71 of which 27 floor amd.
Amd. rejected, 21 of which 17 floor amd.

93D CONGRESS CALENDAR

H.R. 8410—Public debt ceiling, p. 194:
Debate, 2 days (6/26, 27/1973).
Amd. printed, 10.
Amd. committee, 1 (divided in 4 parts).
Amd. adopted, 8 of which 5 floor amd.
Amd. rejected, 9 of which 5 floor amd.

H.R. 11104—Public debt ceiling, p. 207:
Debate, 1 day (11/21/73).
Amd. printed, 8.
Amd. committee, 0.
Amd. adopted, 11 of which 6 floor amd.
Amd. rejected, 2 of which 2 floor amd.

Mr. ALLEN. I will read from it.

In the 91st Congress, Mr. President, we had before us H.R. 13270, income tax reform. The debate on that bill was over a period of 20 calendar days, but it consumed 14 legislative days. Fourteen legislative days were consumed in Senate debate on H.R. 13270. There were 160 printed amendments. There were committee amendments that were adopted, but they were adopted en bloc. There were 75 amendments adopted.

Well, a 15-minute rollcall on each of these amendments would be over 1,000 minutes consumed in rollcall votes alone, if we had a comparable number offered on this bill.

There were 38 amendments rejected, and I dare say they were rejected through the brilliance, expertise, and eloquence of the Senator from Louisiana. Thirty-eight amendments were rejected.

Then when we got to the Social Security Act in the 92d Congress, H.R. 1, there were 173 amendments printed, 44 adopted, 19 rejected.

In that same Congress, on H.R. 10947, the Revenue Act of 1971, 10 days were spent in debate. Ten days of the Senate's time was taken debating those amendments.

So, Mr. President, if we are going to spend 10 days on this bill on amendments, we might as well find it out now.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. ALLEN. Yes, I am delighted to yield.

Mr. BENNETT. As the Senator knows, the strategy of those who want to use this bill to load it down with amendments that might have a difficult time surviving if they were put on an ordinary tax bill is always to wait to the very last minute before the debt ceiling expires on the theory that the President cannot veto it. This is the 17th of June. We now have, roughly, 13 days before the debt ceiling expires. As I remember it, on the 28th of June the President leaves for Moscow, and the President is out of the country at the present time.

If we are going to take until 10 days from now, we are going to be bumping our heads not only against the expiration of the present law, when the temporary debt ceiling must expire, but we are going to be bumping our heads against the possibility of the President's either signing the bill or vetoing it. It seems to me we should take that into consideration as we consider whether to

offer superfluous amendment which will carry debate into the final days before the expiration of the temporary debt authorization.

Mr. LONG. Mr. President, will the Senator yield?

Mr. ALLEN. I yield.

Mr. LONG. Is the Senator aware of anything in the law or in the Constitution that would prevent the President from signing the bill in Moscow? It seems to me, as long as he is going there, it might be a great event to take that action on the President's trip to the Soviet Union to highlight that occasion.

Mr. ALLEN. That might be a possibility, but we hope the matter will be disposed of before the President departs on that trip.

Mr. President, if the Senate has brought before it some 150 amendments, as seems likely, and we spend 10 days, the Senator from Louisiana has suggested that if these amendmentss were put on the bill here in the Senate and they go back to the House, they have several alternatives over there that they can resort to. They can amend it on the floor. That is true. They can go to conference. That is true. They can refer it to a standing committee in the House. And that is true. All that takes time. If we throw 150 amendments at the House, are they not going to have the right to have some little time to consider those amendments?

Mr. President, if the Senate sends 150 amendments over to the House, what is to prevent the House from wanting to outdo the Senate in its giveaway program? Where the Senate might provide for a $850 exemption, the House might say, "Well, that is too little. Let us make that $1,000."

All of this has got to be done before the first of the month, or the Government is going to grind to a halt. We had a little foretaste of that back in December, when the debt limit bill did not pass until about the 3d of December, and it had the Secretary of the Treasury pleading that he was unable to sell E bonds, savings bonds, and he was unable to sell bills and notes and they had to call off their auction.

Mr. President, that is what we are heading for again if we give consideration here on the floor to 150 amendments. I assume we would have 2 or 3 hours on each amendment. But there are just not that many hours in the day.

Also, Mr. President, the Constitution charges the House with the origination of revenue measures, and I assume it was thought that the Senate would have the right to amend those provisions. It was never contemplated, in the view of the Senator from Alabama, that every time a bill emerged from the Ways and Means Committee and passed the House that it would be open to any amendment in the Senate dealing with any revenue subject.

I remember they had some bill up here one time dealing with lathes, I believe, something of the sort, some sort of duty on lathes. So they jumped on that bill and added several score amendments.

I do not believe that is what the Constitution contemplates. These bills are supposed to originate over in the House, and I do not believe it is helping the comity between the two Houses for us to seize and hold hostage a little bill here, as I say, dealing with an important and complex subject—a little bill on one side of a small sheet of paper—and to take that bill and graft or take action on 150 amendments, estimated, based on other legislation of this sort that has come befor the Senate. I do not believe it was contemplated that that would be proper legislative procedure. Yet it is done. That is the custom; I recognize that, in fact, it can be done and, of course, therein lies the question.

Mr. President, I guess we have, as the chairmen of the two relevant committees, the Ways and Means Committee in the House and the Committee on Finance in the Senate, two of the ablest authorities in the field of taxation that we have ever had in Congress.

I have followed from time to time recommendations of the distinguished Senator from Louisiana (Mr. LONG) with regard to tax legislation because I believed when I did so I was on sound ground, that the matter had been considered not only by the distinguished chairman himself but by the other members of the committee. When the committee comes out with a recommendation I lend great weight to that recommendation.

But I feel, Mr. President, that the House and the Senate are being deprived of that expertise in the way that this bill is threatened with being pounced upon in the Senate and having amendments, each one considered by the Senate author of the amendment as being a must amendment, an amendment that will mean most to the Nation and, I assume, his constituency or maybe in the reverse order. But I do not feel that we are getting the benefit of the expertise that is available to us when we turn this bill out before the U.S. Senate for its consideration.

Mr. HASKELL. Mr. President, would the Senator from Alabama yield for a unanimous-consent request solely?

Mr. ALLEN. If I do not lose my right to the floor.

Mr. HASKELL. Mr. President, that is understood.

Mr. President, I ask unanimous consent that Jack Quinn and Betsy Moler of my staff have access to the floor during the debate on this amendment and all amendments thereto.

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

Mr. ALLEN. Mr. President, if this bill had proceeded as an ordinary tax bill should proceed, it would have been before the Ways and Means Committee of the House as a tax bill and not merely a raising, an extension, of the debt limit. They would have pushed for a tax measure instead. It is not a tax measure. The word "tax" is not in it. Income tax sections are not in it. The duty sections are not in it. The estate taxes are not in it.

The only relevant amendment, the only germane amendment, would be something dealing with the debt limit, temporary or permanent. These other amendments, nongermane amendments, I believe they are sometimes called riders—and the way the word "rider" comes in, it seeks to ride in on another bill, Mr. President, that is the only way I can justify the choice of that word—they take a bill that has got to pass and then add up to 150 riders.

Now, Mr. President, when a Member of the Senate offers an amendment having to do with the tax laws, the chances are he knows very little about the damage that will do the Treasury. If he has checked with the committee he may possibly have been so advised. How many Members of the Senate are going to have an adding machine on their desks, and as these amendments come up, and we vote on them, are going to keep track of how much has been lost to the Treasury and how much has possibly been gained for the Treasury in other amendments. How many are going to be influenced in voting on amendments to cut taxes an additional $3 billion, say, by the fact of the amendments which have already passed. Taxes may have been cut by some $5 billion. They are not going to keep track of them.

All they are interested in is going to be the passage of their amendment, and they would expect somebody else to offer amendments to make up for that revenue loss. They would expect the chairman of the committee to come forward with a bill to get that revenue back. The chairman might not be interested in doing that.

Well, the chances are we are going to end up with a bill that is going to reduce the revenue of the national government heaven knows how much, the Senate does not. That remains to be seen.

Mr. President, Senators are familiar with the "Christmas tree" psychology that seizes the Senate or seizes the House, for that matter, when legislation is under consideration, when the dam has been broken, when measures are passed costing the Treasury, costing the Government, billions of dollars, and their attitude becomes then, "Well, what is the use? Let us vote for the next one."

Mr. President, it is not right for the Senators who have some little sense of fiscal responsibility to be called on to vote against cutting taxes. Everybody wants to cut taxes, I assume. I know I do.

I do not suppose there is a member of the Senate who would not like to cut taxes, at the proper time, under the proper circumstances, and in the proper fashion.

Is this the proper fashion?

No, it is not the proper fashion to take a much needed, in fact an essential, bill that has in fact become a routine practice, temporarily increasing the national debt, and extending the time during which that debt may be in existence.

It is made necessary, first, by the wording of the law that it be extended just for a few months, and second, by the excess spending over the years of the national government.

Mr. President, the chief culprit in the causing of inflation is excess spending by the Federal Government; and that excess spending is illustrated and demonstrated by the increases made necessary in the debt limit.

As I pointed out, Mr. President, in the last 10 years the national debt limit has

increased $166 billion. There is the cause of inflation: $166 billion.

Every time the deficit is enlarged, every time spending is increased over the amount coming in, more fuel is added to the fires of inflation. I think that is an elementary economic fact of life.

Mr. President, assume we passed legislation cutting taxes by $10 billion. The supposed recipients of that tax cut might receive some little benefit from it, on the one hand, but they are going to lose that much and more, on the other hand, by the insidious forces of inflation which are always on hand to erode our paychecks and our savings, always on hand to increase the cost of living.

So I daresay, Mr. President, I believe that economists could prove—though I am no economist and I do not claim to be—that the increase in the rate of inflation that results from a supposed tax cut would more than offset the amount of savings from the tax cut.

Mr. President, this bill with its amendments increases the deficit—and there is no escape from the fact that those terms are synonymous, cutting taxes and increasing the deficit; obviously, if we increase income, we are going to increase the deficit.

Mr. President, I wish I could vote for every tax-cutting amendment that Senators wish to offer. I wish that I could. I daresay that if we get to that point—and I hope we do not—the amendments that will be offered to this bill in the form of cutting taxes will run in excess of $20 billion. That is just an off-the-cuff guess.

The first one that is going to be offered I understand, when the amendment I plan to offer is disposed of, would cut some $6 billion from taxes, which would increase the debt by $6 billion.

So by the time other Senators are inspired to offer their amendments, I daresay that at least $20 billion in amendments, I say to the distinguished assistant majority leader, my good friend from West Virginia (Mr. ROBERT C. BYRD), will be offered.

I commend the distinguished Senator from Illinois (Mr. PERCY) for his attitude with regard to this legislation. He has stated—and I admire him so much for this attitude on his part—that he is going to have a lot to say on the floor of the Senate against legislation providing for a tax cut at this time on the grounds that it is the worst thing that can be done for the economy, the worst thing that can be done for the wage earner in this country, and the worst thing that can be done to stop inflation. He is taking a sound position that not only is he going to oppose this effort to increase the deficit which a tax cut at this time would do, but he will also oppose the method by which the tax legislation is sought to be added to a bill that has nothing to do with taxes.

Mr. KENNEDY. Mr. President, will the Senator from Alabama yield for a question?

Mr. ALLEN. I am delighted to yield.

Mr. KENNEDY. I wonder if the Senator from Alabama would be good enough to yield for about 15 minutes, without losing his right to the floor, so that I may speak on the legislation.

Mr. ALLEN. On this legislation?

Mr. KENNEDY. Yes; without the Senator losing his right to the floor.

Mr. ALLEN. I assume the Senator wishes to back up the remarks of the Senator from Alabama?

Mr. KENNEDY. Well, I would not draw that conclusion just at this time; it might be premature.

Mr. ALLEN. Mr. President, I ask unanimous consent that I may yield to the distinguished Senator from Massachusetts for not to exceed 15 minutes without losing my right to the floor.

Mr. PERCY. Mr. President, will the Senator from Alabama and the Senator from Massachusetts mind just a brief comment? The Senator from Alabama did mention the position of the Senator from Illinois on this bill.

Mr. ALLEN. I would have no objection, if the Senator from Massachusets has none, provided the floor will be returned to me, Mr. President, when the two distinguished Senators have spoken.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President, I hope I will not take longer than the time mentioned.

At the conclusion of my remarks, I should like to inquire of the Senator from Alabama, so I hope that he will be available in the Chamber at that time.

Mr. PERCY. Mr. President, I understand that the Senator from Alabama is strongly opposed to a tax cut at this time. I should very much, indeed, like also to reaffirm the opposition of the Senator from Illinois to a tax cut. I think it would be bad economics. It would be bad for this country. It would be a signal, following shortly after having adopted by an 80-to-0 vote a budget reform bill, that we intend to pay no attention to the years of work that was put into the process to find a way for Congress to respond responsibility to our duty to combat the greatest single domestic enemy every family in America has; namely, the ruinous effect of inflation.

Much as we are in support of reducing personal exemptions as the cost of living goes up, to do so at this particular time would add tremendously to the Federal debt and increase inflation. It would stimulate to some degree buying power but certainly would have no helpful effect on the millions of people who are living below the poverty level and who pay no income taxes, yet they would have to bear the brunt of increasing costs as inflation continues. I think it would be a regretful mistake to cut taxes now.

I intend to join the distinguished Senator from Alabama later in the day, during the course of the debate in extensive discussion, which we hope will contribute to a better understanding on the part of Senators, as well as the Nation, as to the disastrous effect of a tax deduction at this particular time.

I thank the distinguished Senator from Massachusetts, who I know disagrees with this particular philosophy, but we will have a great deal of time later in the week to discuss this subject. I very much appreciate the Senator's yielding to me for these comments.

Mr. KENNEDY. I should like to ask my friend from Illinois whether he would take the same position if the revenue loss from tax reform is offset—revenue gains from tax reform.

Mr. PERCY. I would take the same position that I feel there should be an increase in taxes on the oil companies. We have to find a way to make the American oil companies more responsible by requiring them to pay a reasonable portion of their income in U.S. taxes. They are paying billions of dollars in taxes to the Middle Eastern countries, so they should pay a fair and proportionate share to this country also. But what I do not want is to have us work that in at this time, before hearings have been completed before the Finance Committee, or before we have seen what effect the changes in tax legislation will have. What we do not want is a disincentive in the tax structure which would have an adverse effect on the kind of exploration and development we need to increase our oil supplies. I cannot see using a mechanism such as a debt ceiling bill, which is a simple bill just to allow the Government to operate after June 30, as a means for hanging a great many amendments on which have not had any chance of hearings and no opportunity for extensive enough debate so that we may know what we are legislating.

Mr. KENNEDY. Did not the Senator vote for an increase in social security benefits when we had the proposed increase before us on the debt ceiling bill?

Mr. PERCY. Yes, that is true. There were certain desirable attributes to that proposal. But we have never been faced with a debt limit bill at a particular time when inflation was in the two-digit realm; we never had 15-percent inflation before. We do not know how to cope with it. We had better start learning ways to arrest the forces of inflation rather than saying, "Let us add to the national debt."

If we can find a way to increase taxes, we should do it, but we should use the revenues to reduce the debt, not add to the debt as we would be with an increase in the personal exemption.

Mr. KENNEDY. So it is not the principle that the Senator objects to. He does not object to amending the Debt Ceiling Act. He does not object to that because, as I think he has indicated, he has voted for an increase in social security as an amendment to the Debt Ceiling Act. I wonder whether the Senator voted for ending the Cambodian war, as well, when we voted on that question about 2 years ago on the Debt Ceiling Act. So it is not the principle that the Senator objects to, but the fact that, evidently, he objects to the particular amendments which will be introduced and cosponsored by a number of Senators, one is to provide some tax relief; the other is to close some tax loopholes. Evidently, from what the Senator from Illinois has said, he objects to providing tax relief, and he objects to closing tax loopholes; am I correct?

Mr. PERCY. The principle that the Senator from Illinois has tried to adhere to—and I think most Senators have—is

that if we have had hearings and the opportunity to determine what the effect of tax changes will be, we know what we would be legislating on. But if we have not had the opportunity of going into a complicated tax matter like this, as we have not, to determine what the end result would be, then it would be undesirable to go ahead with changes in the tax code at this time.

Mr. KENNEDY. The Senator, therefore, is for tax reform, but not now, at least with regard to the debt ceiling. He is for tax reform in general, but not at this particular place and time. He is also opposed to tax relief.

Mr. PERCY. Mr. President, will the Senator yield further for a question?

Mr. KENNEDY. I wonder whether I am interpreting the Senator correctly. At least, this is my impression from what the Senator from Illinois has said. If he has a different position, I wish to have it clarified, so that I will understand it completely.

Mr. PERCY. No; the Senator from Illinois cannot accept the explanation attributed to me. Possibly I would better understand the position of the Senator from Massachusetts with his answer to this question: With the expected deficit in fiscal year 1975 of $11.5 billion, with some estimates showing that that deficit could go as high as $18 billion or $20 billion, with every study that I have seen indicating a Federal deficit of that magnitude, adding materially to the pressure of inflation which drives prices up and certainly works most harshly and adversely on the poor, does the Senator from Massachusetts feel that this is the appropriate time, when we have that magnitude of debt, where we are once again increasing the Federal debt limit, that this is a good time to have such a tax reduction; and, if so, what is the purpose of the tax reduction?

Mr. KENNEDY. I will give the Senator from Illinois a one-word answer; then I will take the opportunity which has been granted to me by the Senator from Alabama to explain it, in the hope that the Senator from Illinois will give me a one-word answer as well with regard to his position of using this vehicle as the vehicle for tax reform.

The answer to the Senator from Illinois is "Yes." I am in favor of providing some degree of tax relief for people who have to bear the burden of the increased price of fuel and the increased price of food. And I am in favor of raising revenues through tax reforms. Our amendment will contribute nothing to inflation, because there will be no net revenue loss in the long run.

I would like to get an answer from the Senator from Illinois, whether his feelings about the importance of tax reform are such that we can use this particular vehicle for tax reform in 1974.

Can I get such an answer?

Mr. PERCY. The answer is "No."

Mr. KENNEDY. That is very clear.

Mr. PERCY. The Senator from Illinois feels that this tax bill is a poor vehicle to use for an overall tax reform bill. He would ask the Senator from Louisiana whether there is another piece of legislation coming along that will enable us to have hearings, to enable us to proceed with due deliberation, and not with a gun at our head, with a debt ceiling bill that must be passed and signed by June 30. I will ask whether we have another bill coming along that is a better vehicle.

Mr. KENNEDY. I hope the Senator from Illinois will be able to inquire of the distinguished chairman of the Finance Committee and enter into such a dialog or discussion as he may wish. At first, as I understand it, there is only an outside chance that we will have the opportunity to act on comprehensive tax reform this year.

But given the fact that I have been granted only a limited period of time, I have some problem in yielding for a dialog at this particular time between the Senator from Illinois and the chairman of the Finance Committee.

Mr. PERCY. I thank the distinguished Senator from Massachusetts.

Mr. KENNEDY. I hope that we will all be able to have an opportunity to speak on this measure and on the economic implications of our proposal for tax reform and tax relief.

I would like to have the opportunity, since the Senator has queried me about the economic justifications, to be able to develop my views on that subject and on tax reform, and then, perhaps, if I have any time available, to yield for a discussion.

Mr. MAGNUSON. Will the Senator yield for a half minute?

Mr. KENNEDY. I am glad to yield for a half minute.

Mr. MAGNUSON. Mr. President, speaking of tax reform, this may be an appropriate time to submit, to lie at the desk, an amendment by myself, the Senator from Connecticut, my colleague from Washington (Mr. JACKSON), and other Senators, which would repeal the percentage depletion for oil and gas production, which is essentially a part of what the Senator is going to be talking about.

I ask unanimous consent that I may offer the amendment and have it lie on the table. When we call it up, I will have some statements to present, to justify it. We may have the problem of fitting it in with some of the other amendments which have been submitted, which we will have to work out later.

Mr. President, I ask unanimous consent that the amendment lie on the table.

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

Mr. MAGNUSON. When I call it up, I will make my statement. I am offering it on behalf of myself and other Senators.

Mr. KENNEDY. Mr. President, I wish to acknowledge the work on this particular measure which has been done by the distinguished Senator from Washington (Mr. MAGNUSON) as well as by Senator RIBICOFF. Their thoughtful consideration of this particular measure has been commendable. They have added greatly to the Senate's understanding of the importance of such reform.

I commend the Senator from Washington—as I am sure other Senators will do—for his thoughtfulness on this issue.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield to me for 30 seconds, with the understanding that I will not attempt to alter the conditions under which the Senator from Alabama has yielded?

Mr. KENNEDY. I yield.

VITIATION OF ACTION ON S. 3355, COMPREHENSIVE DRUG ABUSE PREVENTION AND CONTROL ACT OF 1970

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the action taken earlier today on S. 3355, Calendar Order No. 896, be vitiated.

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

FEDERAL ENERGY ADMINISTRATION

Mr. ROBERT C. BYRD. Mr. President, as in executive session, I ask unanimous consent—and this has been cleared with the assistant Republican leader—that tomorrow, at 12 o'clock noon, the nomination of Mr. John C. Sawhill be called up; that there be a limitation of 40 minutes on the debate, 30 minutes to be under the control of Mr. ABOUREZK and 10 minutes under the control of the distinguished Republican leader; and that upon the disposition of the nomination, the Senate return to legislative session.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ROBERT C. BYRD. I thank the Senator from Massachusetts for yielding to me.

TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

The Senate continued with the consideration of the bill (H.R. 14832) to provide for a temporary increase in the public debt limit.

Mr. KENNEDY. Mr. President, how much time remains?

The PRESIDING OFFICER. All time has expired.

Mr. ALLEN. Mr. President, I ask unanimous consent that the distinguished Senator from Massachusetts may have the full 15 minutes, provided the floor will be returned to me at that time.

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

Mr. KENNEDY. I thank the Senator.

The PRESIDING OFFICER. Does the Senator suggest 15 minutes more?

Mr. ALLEN. Fifteen in all.

Mr. KENNEDY. I think I had 15 minutes. Is that for 15 minutes more?

Mr. ALLEN. Some of the time came off. If the Senator wants 30 minutes, that is all right.

The PRESIDING OFFICER. Without objection, the Senator has an additional 15 minutes.

Mr. KENNEDY. I thank the Chair. As I understand, we have used 15 minutes and I have 15 minutes from now. Is my understanding correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. KENNEDY. I ask unanimous consent that Mr. Parker be permitted the privilege of the floor during the debate and votes on this measure.

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

Mr. KENNEDY. I appreciate the time yielded to me by the Senator from Alabama. After I make some comments, I wish to make some inquiries of him about his position and what we might expect in terms of any dialogue or debate or vote on these points.

Mr. President, I yield myself 13 minutes.

Mr. President, I am pleased to join with other Senators today as the Senate begins its consideration of the Debt Ceiling Act and the important proposals for tax reform and tax relief that will be offered as amendments to the act.

At the outset, I commend the Senate leadership and the distinguished chairman of the Committee on Finance, Senator RUSSELL LONG, for bringing this bill to the floor with ample opportunity for full debate before the June 30 expiration of the current debt ceiling.

Although riders on Debt Ceiling Acts are not the usual method of Senate legislation, the periodic bills extending the debt ceiling have established a precedent in recent years as vehicles for vigorous debate and action on some of the most important contemporary issues before the Nation.

To name but three examples, Debt Ceiling Acts in the Senate in recent years have been the vehicle for major action by Congress to increase social security benefits for the elderly, to end the Vietnam war and the bombing of Cambodia, and to establish public financing of elections.

In the case of the social security benefit increase, the effort to amend the Debt Ceiling Act was successful, and a substantial increase in benefits was signed into law by President Nixon. In the other two cases—the end-the-war amendment and the public financing amendment—the efforts were not as successful on the Debt Ceiling Act itself, but the momentum generated by the Senate debate was an important forward step toward the goal.

Thus, the debt ceiling debate on the war last June led directly to the final congressional action on legislation halting the bombing of Cambodia in August. And, the debate on public financing last November, although thwarted by a filibuster at the time, laid the groundwork for the comprehensive and far-reaching election reform legislation passed by the Senate earlier this year.

Today, we have another such opportunity to use the Debt Ceiling Act, this time to take a constructive forward step in the area of tax relief and tax reform. We can bring immediate tax relief to millions of families now suffering under the heavy burden of some of the worst inflation America has ever seen. At the same time, we can make a down payment on tax reform, bring greater equity to the Internal Revenue Code, and help insure that all citizens pay their fair share of taxes.

I am pleased, therefore, to be a sponsor of the joint tax reform and tax relief amendment No. 1443, that will be offered to the Debt Ceiling Act in the coming days by Senators HUMPHREY, BAYH, CANNON, CLARK, HART, MONDALE, NELSON, and myself.

TAX REFORM

The first half of our joint amendment deals with tax reform. It proposes reforms to close four of the most serious loopholes in the Internal Revenue Code—oil depletion, tax subsidies for exports, accelerated depreciation, and the minimum tax.

In essence, the amendment would enact the following four reforms:

First. Repeal the oil depletion allowance, effective January 1, 1974—$2 billion revenue gain in the first year, $2.6 billion in the third year; $3.3 billion in the fifth year.

Second. Repeal the asset depreciation range—ADR—system of accelerated depreciation, effective for plant and equipment placed in service as of May 8, 1974, the date our amendment was originally proposed—$250 million revenue gain in the first year; $1.5 billion in the third year; $2 billion in the fifth year.

Third. Repeal the Domestic International Sales Corporation—DISC—system of tax incentives for exports, effective January 1, 1974—$815 million revenue gain.

Fourth. Strengthen the minimum tax, by reducing the current exclusion from $30,000 to $10,000, and by eliminating the current deduction for taxes paid, effective January 1, 1974. An identical reform in the minimum tax was passed 47 to 32 by the Senate last January, but the underlying bill was later recommitted—$860 million revenue gain.

Taken together, these four tax reforms will generate new revenues of approximately $4 billion in the current year and $7 billion by 1978. Thus, these reforms are sufficient by themselves to offset the major part of the revenue loss produced in the first year by the $6.5 billion in tax relief that we are proposing in the second half of our amendment; they will offset entirely the longrun revenue loss of the tax relief.

Each of these four tax reforms has been debated vigorously and extensively in the Senate in the past, both in committee hearings and in floor debate. They have also received thorough consideration by the House. Therefore, these reforms are appropriate for Senate consideration now, as riders to the Debt Ceiling Act.

The oil depletion allowance, for example, has been the most notorious tax loophole for many years; the soaring price of oil in America and the soaring profits of American oil companies make immediate repeal of the depletion allowance our No. 1 tax priority.

DISC and ADR entered the Revenue Code in 1971, and have been controversial ever since, providing windfall tax benefits for some of the Nation's largest corporations.

And the minimum tax, which entered the code in 1969 as a loophole closing measure, is now best known for the loopholes of its own that have rendered it so ineffective.

As an appendix to this statement, I am attaching a brief summary of the problem and proposed solution for each of these reforms.

My hope is that the Senate will approve these four tax reforms as part of the Debt Ceiling Act, as a downpayment on more comprehensive tax reform to come, later in the year.

These four reforms are only the beginning of the list. The Ways and Means Committee is now at work on a bill that promises to become the vehicle for comprehensive reform. If other events do not intervene to delay the schedule, it is possible that Congress may yet have the opportunity, this year, to act on the full range of reforms of the Internal Revenue Code that are necessary to bring real tax justice to America.

Over the years, we have allowed a situation to develop in which the Internal Revenue Code has become America's biggest welfare bill of all—but it is the sort of welfare that only Alice in Wonderland can understand, because the greatest benefits of tax welfare go entirely to the Nation's richest individuals and largest corporations.

In distributing these vast amounts of unjust tax welfare, the Federal Government is treating the average taxpayer unfairly.

Billions of dollars in Federal tax revenues are lost each year through countless loopholes and other preferences in the tax laws. Those losses have to be made up somehow—and they are made up out of the hard-earned tax dollars of millions of ordinary citizens, who pay too much because others pay too little.

In effect, the Government is acting like Robin Hood in reverse. By allowing these tax inequities to continue, Congress and the administration are robbing the poor to pay the rich.

This year of 1974 is the year to end all that. The 93d Congress has the opportunity to enact far-reaching tax reforms, and the Debt Ceiling Act is the place to start.

One thing is clear—if we fail to act, then 80 million ordinary taxpayers and their families will have every right to hold Congress accountable at the polls on election day this fall.

TAX RELIEF

The second half of our joint amendment contains proposals for tax relief. It has three principal provisions which, taken together, will provide $6.5 billion in tax relief for hard-pressed American taxpayers:

First. It will raise the personal exemption for individuals in the Federal income tax from its current level of $750 to a new level of $825.

Second. It will provide an option for every taxpayer to take a $190 tax credit in lieu of the $825 personal exemption.

Third. It will provide a refund of a portion of the social security payroll tax to low-income workers with children, through a tax credit equal to 10 percent of wages up to $4,000 in income. This is a proposal which the distinguished chairman of the Committee on Finance

has long sought to see achieved, to provide tax equity for the low-income American worker.

For incomes over $4,000, the credit is phased out at the rate of 25c per dollar, so that the credit disappears when income reaches $5,600. The credit is refundable—that is, it is paid as an income tax refund, even if the recipient has no income tax liability.

The purpose of these tax relief provisions is two-fold: to provide an urgently needed fiscal stimulus to keep the economy from sinking deeper into the current recession; and to provide significant across-the-board relief to millions of taxpayers suffering under the sustained severe inflation that has now reached the double-digit level and that has sharply contracted consumer purchasing power in every section of the country.

The economic figures are increasingly pessimistic. At the end of May, we learned that GNP had declined precipitiously by a revised 6.3 percent annual rate for the first quarter of 1974—an even steeper decline than the original estimate of a 5.8 percent plunge a month ago, and more than twice as steep as the rose-colored 2.3 percent decline forecast by administration economists earlier this year.

The new figure represents the steepest slide since the serious recession of 1968. The slide makes clear that the economy has slipped badly in recent months and that, in fact, the Nation has now entered a period of recession, America's sixth recession since World War II.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. ALLEN. Mr. President, I ask unanimous consent that I may yield an additional 5 minutes to the distinguished Senator from Massachusetts, provided I have the floor returned to me at the conclusion of his remarks.

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

The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President, clearly, the efforts of the administration are inadequate to stop the slide. The question is not whether we are already in the valley of a recession, but how long and how deep the valley is going to be.

Prompt action is required by Congress to keep the economy from sinking deeper into the current recession, and immediate tax relief is our most effective possible response.

By channeling the proposed tax relief through the income tax withholding system, the relief can take effect at once. It will begin to be felt in the weekly paychecks of millions of working men and women, within 30 days after the measure is signed into law.

These tax relief proposals combine the principles of separate measures that Senator MONDALE, Senator LONG, and I have introduced in the past:

The increase in the existing personal income tax exemption will provide across-the-board relief to all taxpayers.

The use of an optional tax credit in lieu of the exemption will target substantial relief on low- and middle-income taxpayers hardest hit by inflation. Dollar for dollar, credits are worth more than exemptions to such taxpayers, since a credit is subtracted directly from the amount of taxes owed, whereas an exemption is subtracted from income, before the tax rate is applied. In general, therefore, taxpayers whose marginal tax bracket is less than 24 percent will find the $190 credit more beneficial than the $825 exemption—$825 multiplied by 23 percent equal $190.

And the use of a refundable tax credit will provide relief to those at the bottom of the income scale from the crushing burden of the payroll tax.

Taken in conjunction with the tax reform proposals in the first half of our amendment, the net effect of the overall amendment will be to prevent any long-term revenue loss to the Treasury, since the tax relief we grant this year will be offset—partially this year, and completely in future years—by revenue-raising tax reforms.

The case for antirecession tax relief is strengthened by the dismal news reported in the Nation's other economic indicators in recent weeks and months.

Apart from the drastic slump in the first quarter GNP, there are at least five other serious indicators of our current economic straits:

The May figure of 5.2 percent unemployment in the Nation confirms the disastrous consequences the recession is having on millions of workers and their families. For the 5th straight month, unemployment has hovered at the clearly excessive level of 5 percent or higher. In May, it took a significant upward turn to 5.2 percent from 5.0 percent in April. Read in light of the current excessively restrictive monetary policy and the recessionary plunge in first quarter GNP, unemployment is on its way to 6 percent for America in 1974, unless Congress acts in time.

The high cost of fuel is siphoning dollars from the pockets of consumers at the astronomical rate of $20 billion in 1974. And the vast majority of these dollars are going into oil company profits and into the treasuries of foreign governments. Only an insignificant part of that amount is being plowed back into the domestic economy. The net result is a heavy additional drag on the economy, an "oil tax" on the consumer that no citizen should have to pay.

No responsible economist advocates a tax increase as a matter of economic policy, since such an increase would throw the economy into an even deeper recession than the one we have today.

Certainly, Congress is not going to enact a tax increase. How, then, can Congress sit idly by, while the oil industry levies its own tax increase on the already reeling American consumer?

A drastic fall-off in consumer demand is indicated by the figure on personal disposable income, one of the most accurate measures of consumer purchasing power. Such income dropped at an annual rate of over 7 percent for the first quarter of 1974, the sharpest drop since 1949, a precipitous decline with obvious implications of reduced consumer buying in the months ahead. These statistics leave no doubt that the average consumer has been badly hurt in recent months. The rise in prices, especially food and fuel, has cut deeply into his buying power.

New car sales have stabilized in 1974 at about 20 to 25 percent below the level of a year ago. Detroit is still in trouble over the continuing fuel crisis, and a major part of the trouble is the failure of the prayed-for big backlog of small car orders to materialize. Demand is low, because the consumer simply is not there.

Finally, the draconian tight money policy now being carried out by the Federal Reserve Board is sending interest rates into orbit, driving the housing industry on the rocks, and putting the economy through the wringer.

It is easy to understand how the Fed feels. It is fighting inflation all alone—but there has to be a better answer to inflation than causing a bust to stop the boom.

In the face of these depressing figures, the somewhat optimistic current levels of plant and equipment spending do not present a significant counterargument. The history of the recession of 1957–58—our worst and sharpest postwar recession—teaches the disastrous consequences that can result when consumer spending is flat and a boom in plant and equipment spending collapses as business awakens to the reality that there are no customers to buy the products piling up on the shelves.

We cannot count on plant and equipment spending to carry the economy on its back. The vast majority of the economy is keyed to the consumer; only 12 percent is keyed to business spending. The economy cannot move forward, when consumer spending is moving backward. The only adequate route to stable growth is a much more balanced expansion of the economy, the sort of growth our tax relief proposal is designed to generate.

Once before, in the early 1960's, Congress successfully used a tax cut to pull the economy out of a period of recession and stagnation, thereby launching the longest uninterrupted period of genuine economic growth and sustained price stability in our history.

If we do not learn this obvious lesson from our recent economic history, then we are doomed to repeat the recessions of the past, instead of enjoying the prosperity the future ought to bring.

Moreover, a tax cut is also easily justified on the grounds of equity alone, as relief against the burden of continuing inflation, which reached the stratospheric level of 11.5 percent in the first quarter of 1974, America's worst inflation since the Korean war.

The proposed tax cut would not be inflationary in itself. The rampant inflation of today is caused primarily by the spurt in prices when controls were ended last April and by the exorbitant recent increases in the cost of food and fuel, which are now working their way through the rest of the economy. Apart from these inflationary elements, which tax relief will not significantly affect, the central economic problems today are slack capacity, falling output, and weak demand—the very factors that are caus-

ing the current recession. In sum, although tax relief will not impede the fight against inflation, it can keep the recession from growing worse.

Moreover, in a separate but important way, tax relief can actually help to fight inflation, by leading to a moderation in demands for higher wages this year. Thus, tax relief can make up part of the loss in real income that millions of workers have suffered, because of inflation; it can thereby help prevent large wage demands that would lead to another drastic upward round in the spiral of inflation.

In sum, we hold in our hands the key to the present health of the economy. If we do nothing now, if we allow ourselves to be lured yet again into following the administration's Pied Pipers of Prosperity, then we have only ourselves to blame. Five years of mismanaged policy and shattered credibility on the economy are enough. It is time for Congress to assert its power, and to exercise its own independent judgment on economic policy.

My hope is that the Senate and House will act quickly to adopt the tax relief and tax reform proposals we are offering. The health of the American economy for the remainder of 1974 and well into 1975 may hang on the outcome of our action:

I ask unanimous consent to include fact sheets on this matter.

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

FACT SHEET ON PROPOSED REPEAL OF PERCENTAGE DEPLETION FOR OIL AND GAS

This provision would abolish the percentage depletion allowance as of January 1, 1974, for all oil extraction and for natural gas not under Federal price control or already committed under fixed-price contract. The annual revenue gain over five years would be as follows:

[In billions of dollars]

Calendar year	This proposal	Revenue gain Ways and Means bill	Difference
1974	2.0	0	2.0
1975	2.2	.6	1.6
1976	2.6	1.3	1.3
1977	2.9	2.1	.8
1978	3.3	2.4	.9
Average	2.6	1.3	1.3

Of the revenue gain from abolition, all but about $0.2 billion is traceable to the elimination of percentage depletion on domestic oil. The estimates for domestic oil are based on an average price of crude increasing gradually from $6.50 per barrel in 1974 to a world price of $9 in 1978, as assumed by the Joint Committee on Internal Revenue Taxation.

HOW DEPLETION WORKS

The percentage depletion option now permits 22 percent of the gross revenues from oil and gas extraction to go entirely free of Federal income tax, up to half of the producer's before-tax profits. For a successful well, percentage depletion can provide a total tax deduction much larger than the alternative of depreciating the investment in the well, as would be done by investors in other businesses. As a result of this and other tax preferences, major oil companies paid only about 6 percent of their income in U.S. income taxes in 1972. For instance, Gulf paid 1.2 percent; Mobil, 1.3 percent; Texaco, 1.7 percent, SoCal, 2 percent; Arco, 3.7 percent; Exxon, 6.5 percent; and Standard of Indiana, 10.2 percent.

Percentage depletion has been defended in the past as an incentive to exploration and drilling. For this purpose, it always has been a very costly form of subsidy, and it is less effective per dollar than a subsidy or tax credit applied directly to the desired activities.

The new high prices of oil render percentage depletion much more expensive than before and, at the same time, remove any justification for it, because today's oil prices provide ample incentive for oil development without any subsidy. Development activity now is constrained *not* by any lack of incentive but by the physical capacity of the industry and its equipment suppliers.

The recent increase in oil prices indeed presents an opportunity to abolish this aspect of undue favoritism in the tax system without reducing the incomes of oil investors from last year's levels. On the contrary, oil incomes will go up anyway. Depletion should be abolished now before it again becomes embedded in the new income levels, the asset values, and the cost structure of the oil business.

RELATIONSHIP TO THE WAYS AND MEANS BILL

The Ways and Means bill repeals depletion in gradual steps from 1975 through 1978. Its provision on depletion would have virtually no effect in 1974. Our proposal would return significant revenues to the public treasury from ballooning oil profits beginning this year. Oil industry profits in 1973 rose some 55 percent over 1972, according to *Business Week*. Company reports for the first quarter of 1974 indicate another very large jump for this year. After their accountants had done everything possible to minimize below-the-line profits, Texaco reported after-tax earnings up again by 123 percent; SoCal, 92 percent; Standard of Indiana, 81 percent; Gulf, 76 percent; Mobil, 66 percent; Shell, 51 percent; and Exxon, 39 percent.

This proposal separates the repeal of percentage depletion from the other provisions of the Ways and Means Energy Tax Package, because depletion has been the subject of hearings and public debate for many years and the issue is familiar to everyone. Action should be taken now to close this major loophole as the first step toward satisfying public demand for fair taxation of oil income. The other provisions of the Ways and Means package are sufficiently new and complex to warrant more deliberate procedures. This proposal is not intended to detract in any way from the need to consider these other measures in due course.

FACT SHEET ON DISC

DISC provisions of the Tax Code allow specially organized export corporations to defer indefinitely the tax on one-half of their income. There is no evidence that DISC provisions provide an extra stimulus to exports. But they will cost the U.S. Treasury $740 million in 1974, primarily in the form of subsidies to large corporations. Our amendment would terminate the unjustified DISC subsidy.

HOW DISC PROVISIONS WORK

Under existing law, a corporation may elect to be a DISC (a Domestic International Sales Corporation) if at least 95% of its gross receipts, and at least 95% of its assets, are export-related. DISCs are completely free from normal income taxes. Shareholders, however, are taxable on one-half of the DISC's income each year, or the amount distributed as dividends, whichever is greater. Thus, DISCs in effect allow indefinite tax deferral on one-half of export income.

In practice, DISCs are most often paper corporations established by other large corporations merely for the purpose of receiving tax benefits for exports. A DISC need not satisfy normal requirements of corporate capitalization, but need have only $2500 in assets. In 1972, 22% of the income received by all DISCs was earned by eight DISCs with gross receipts over $100 million, and over 80% of the 2,249 DISCs were owned by corporations with assets of over $100 million. These large corporations can channel their exports, on either a sale or commission basis, through DISCs they have created, and thus receive substantial tax benefits.

REVENUE GAIN FROM TERMINATION OF DISC BENEFITS

Terminating DISC benefits under our amendment would gain an estimated $815 million in 1974. $740 million of this amount comes from revenue which would otherwise have been lost in 1974 under the DISC provisions. And $75 million comes from the estimated tax revenue which would be payable in 1974 on DISC income deferred in prior years.

DISC PROVISIONS HAVE HAD NO DEMONSTRABLE EFFECT ON INCREASING OUR EXPORT TRADE

The U.S. in 1973 enjoyed a $700 million trade surplus, with an unprecedented $70 billion in exports. But when the DISC provisions were originally enacted in 1971, the nation was facing a serious balance of payments deficit, including for the first time in recent years a deficit in trade of goods and services. According to the International Economic Report of the President, the turnaround in the U.S. trade balance was caused primarily by increased world-wide demand for our agricultural and manufactured exports, and the 15% devaluation of the dollar over the past two years. During 1971 and the first half of 1972 our demand for foreign products was strong, and economic slowdowns abroad reduced demand for our exports, producing a negative trade balance. Since then, however, export demand has increased, the prices of our exports have become more competitive, and higher relative prices abroad have reduced our demand for imports.

There is no evidence that any part of this trade turn-around is due to the tax benefits provided under DISC. In fact, the GAO has reported that DISC "is not considered to have had much influence toward increasing U.S. exports to date. Neither has it resulted in exporters lowering their prices to meet competition." And a recent Treasury Department report prepared pursuant to the DISC statute gives no convincing evidence that the tax subsidy under DISC is having an effect on our exports or balance of trade. Although the Treasury analysis, which covers data from calendar year 1972, shows that selected firms utilizing DISCs increased their exports 14.1%, slightly more than the total U.S. export growth by 12.4% in that year, the Treasury makes no claim that these figures are statistically significant and admits that their conclusion is "highly tentative." The Treasury Report did show, however, that the 15% profit rate for exporters using DISCs has been about twice the 8% rate of return for those industries in which DISCs predominate, and that the revenue loss has been much higher than Congress expected when it enacted DISC in 1971. The revenue loss was an estimated $250 million in 1972 and $500 million in 1973, instead of the originally predicted $100 million in 1972 and $170 million in 1973.

EFFECTIVE DATE

Our amendment would make DISC benefits unavailable for any taxable year beginning after December 31, 1973. Since DISCs are largely an accounting device, utilized by corporations at the end of their taxable years when export receipts, assets, and income are accounted for, terminating the DISC provisions as of this tax year would work no unfairness. Taxes on income previously deferred would be payable in equal assessments over ten years.

BACKGROUND OF THE ASSET DEPRECIATION RANGE SYSTEM

The ADR system permits a corporate taxpayer to depreciate capital assets within a

range of up to 20% faster than the useful lives of these assets as defined by Treasury guidelines on useful lives in 1971. Many people believed that the Treasury was exceeding its statutory authority in administratively changing the depreciation system. In part due to public and Congressional protest, the Administration submitted a modified version of ADR to Congress in the Revenue Act of 1971. On November 12, 1971, the Senate came within two votes of rejecting ADR.

ADR abandons a concept which had been an integral part of the tax laws for 40 years—namely, that deductions for depreciation of capital assets must be based on the actual useful life of the asset. Once we depart from this concept and allow tax depreciation to exceed economic depreciation, the owners of property producing taxable income are in effect receiving subsidy payments from the Treasury. There is no mathemtaical difference between giving an individual or business a direct handout and forgiving him a like amount in taxes due.

In announcing the ADR in January of 1971, President Nixon stated that "a liberalization of depreciation allowances is essentially a change in the timing of a tax liability." This statement is mistaken and represents a confusion between the consequences of a "liberalization" in depreciation allowances for a single asset or assets of a single year or even a limited number of years and the permanent "liberalization" established by ADR. Experts in this field have estimated that by 1980 the ADR system will have resulted in up to a $30 billion *permanent* revenue loss to the Treasury. Thus ADR is not simply a change in the timing of tax payments or reducing payments now in return for a tax liability in the future. It represents a repeating and accumulating loss in tax revenues year after year, a loss which will ultimately grow along with the general rate of growth of the economy and in particular the rate of growth in equipment subject to the tax depreciation.

The major rationale which has been put forward to justify ADR is that it will stimulate investment and therefore the economy generally. Many experts in this area, however, do not agree that this is the case. Professor Robert Eisner of Northwestern University who has spent many years studying the subject of asset depreciation earlier this year testified before the House Ways and Means Committee that "there is little evidence that 'liberalization' of depreciation allowances of this type will have much effect on investment." He went on to note that "if the objective were to increase investment spending, economic analysis makes clear that a far more effective device, dollar for dollar of tax loss to the Treasury, would be some form of direct investment subsidy or tax credit." It should be noted that an investment tax credit to stimulate capital investment was also adopted as part of the Revenue Act of 1971 providing ample tax relief and investment incentives for corporations.

The other argument of the ADR proponents revolved around the competitive position of U.S. producers. As nearly all economists will agree, this is a spurious argument. There is no empirical evidence that those countries with the lowest taxes on capital have higher rates of economic growth. In fact, among the major industrial countries the converse appears to be true. If the goal were to stimulate capital formation, ADR is a very ineffective and costly stimulus. In part, this is reflected by the current data which show that business has moved very slowly in adopting ADR. If ADR has a strong investment incentive, why have firms not moved more quickly to adopt the new proposals? Its complexity also appears to be discriminating against the smaller business firms. The current Treasury data indicate that the system is being adopted by the large conglomerates but not the smaller proprietorships and partnerships. Apparently the complex provisions can only be interpreted by the larger firms. Major improvements in the U.S. balance of payments has come from the devaluation of the dollar rather than tax giveaways to business. The future history of ADR is likely to follow that of accelerated depreciation after 1954—a very gradual adoption with no noticeable investment stimuli, but considerable hidden long-run revenue costs.

Estimated revenue loss due to ADR

1971	$300 million
1972	$900 million
1973	$1.2 billion
1974	$1.4 billion
Estimated revenue gains if ADR is repealed	
1974	$400 million
1975	$1.0 billion
1976	$1.5 billion
1977	$1.7 billion
1978	$2.0 billion

STRENGTHEN THE MINIMUM TAX

PURPOSE

1. Repeal the step in the calculation of the minimum tax which currently allows a deduction for other taxes paid.

2. Reduce the current $30,000 exclusion from the minimum tax to $10,000.

The proposed amendment makes no change in the list of tax preferences subject to the minimum tax, and no change in the current 10% rate of the minimum tax. It affects only the deduction for taxes paid and the $30,000 exclusion, the most obvious loopholes in the current minimum tax. The combined revenue gain from both provisions would be $860 million.

CURRENT LAW

The minimum tax was enacted by Congress as part of the Tax Reform Act of 1969, in an effort to insure that persons with substantial amounts of untaxed income would pay at least a modest tax on such income. Under the present minimum tax, a person is taxed at the flat rate of 10% on the sum of his income from certain tax preferences, which include most, but not all, of the major preferences in the tax code: accelerated depreciation on real property, accelerated depreciation on personal property subject to a net lease, amortization of certified pollution control facilities, amortization of railroad rolling stock, stock options, reserves for losses on bad debts of financial institutions, depletion, capital gains, and amortization of on-the-job training and child care facilities.

Before the minimum tax is applied, however, a taxpayer gets two important deductions from his preference income: *First*, an automatic $30,000 exclusion; *Second*, a deduction for the regular income tax he pays. These two deductions are largely responsible for the failure of the minimum tax to fulfill its promise.

DEDUCTION FOR TAXES PAID

This deduction allows substantial numbers of taxpayers to avoid the minimum tax completely, even though they have large amounts of income from tax preferences. In practice, the deduction is an "Executive Suite" loophole, since one of its principal effects is to allow highly paid executives to use the large amount of regular taxes they pay on their salaries as an offset against income they receive from tax references. The following example illustrates the point:

	A	B
Preference income	$100,000	$100,000
Regular tax on salary	100,000	0
Base for minimum tax	0	100,000
Minimum Tax	0	10,000

Individual A, who has $100,000 in income from tax preferences but pays $100,000 in regular taxes on his salary, owes no minimum tax. Individual B, who has $100,000 in income from the same tax preferences, but who pays no regular taxes, owes a minimum tax of $10,000. The minimum tax should operate equally on individuals A and B, yet the deduction for taxes paid lets A escape the minimum tax altogther.

Contrary to arguments raised in the past against the proposal to repeal the deduction for taxes paid, this reform would have only a marginal impact on capital gains. For individuals, the change would increase the effective tax rates on capital gains in the highest bracket from its present level of 36.5% to 40%. But the top 40% rate would apply only to that portion of capital gains over $460,000, and it is still a bargain rate compared to the 70% tax rate on ordinary income at such levels. In the Tax Reform Act of 1969, the maximum effective tax rate on capital gains was increased from 25% to 36.5%, with no measurable effect on the investment community or the flow of capital to business. For corporations, the change would increase the effective tax rate on capital gains from 30.75% to 33.75%. The Tax Reform Act of 1969 increased the rate from 25% to 30%. For all but the smallest corporations, the tax rate on ordinary income is 48%.

THE $30,000 EXCLUSION

The second part of the amendment would reduce the existing $30,000 exclusion to $10,000. The present level was set far too high by the 1969 Act. It enables wealthy taxpayers to enjoy their first $30,000 in tax loophole income, completely free of the maximum tax. This was the provision used by President Nixon to reduce his minimum tax to zero in 1971 and 1972, and to near-zero in 1970.

By reducing the level to $10,000, substantial amounts of income that are currently tax-free will become subject to the minimum tax. At the same time, the $10,000 level will be high enough to prevent any substantial deleterious impact on low- and middle-income taxpayers with modest tax preference income such as a capital gain on the sale of a home. In addition, the $10,000 level will avoid any unnecessary inconvenience in the administration of the minimum tax, since it will not require the forms to be filed or the tax to be paid on modest amounts of tax preference income.

EFFECT OF CURRENT LOOPHOLES

Individuals—In 1971, 100,000 individuals with tax preferences totaling $6.3 billion paid $169 million in minimum tax, for an effective tax rate of only 2.7% compared to the statutory rate of 10%. Of this group, 75,000 individuals, reporting preference income of $2.3 billion, paid no minimum tax at all.

Corporations—In 1970, 81,000 corporations paid $280 million in minimum tax on loophole income of $5.7 billion, for an effective rate of 4.8%. Of this group, 75,000 corporations, reporting preference income of $1.6 billion, paid no minimum tax at all.

REVENUE GAIN (MILLIONS) FROM PROPOSED AMENDMENT (1972 INCOME LEVELS)

	Repeal deduction for taxes paid	Reduce exclusion to $10,000	Combined changes
Individuals	$330	$131	[1] $585
Corporations	250	20	275
Total	580	151	860

[1] 80% from individuals with adjusted gross incomes over $100,000.

ANTIRECESSION TAX RELIEF IN AMENDMENT 1443

Terms: (1) Raise the personal exemption for individuals in the Federal income tax from its current level of $750 to a new level

of $825; (2) provide an optional tax credit of $190 in lieu the exemption; (3) refund a portion of Social Security payroll taxes to low-income workers with children, through a refundable tax credit ("Work Bonus") equal to 10% of wages up to $4,000 in wages.

Purpose: (1) offset the increase in the cost of living caused by inflation; (2) provide a needed fiscal stimulus to pull the economy out of the current recession.

Revenue effect: $6.5 billion loss to Treasury; $6.5 billion stimulus to economy.

Economic policy: The nation is already in a recession, America's sixth recession since World War II. GNP dropped by 6.3% for the first quarter of 1974—the worst decline in 16 years, since the recession of 1958, and far worse than the recession of 1970.

Consumer purchasing power is declining sharply. Measured in constant dollars, per capita personal disposable income dropped by 7.3% for the quarter, a precipitous decline with obvious implications of reduced consumer demand in the economy in the months ahead.

The soaring cost of fuel will drain $20 billion from the economy this year; further reducing consumer demand.

Unemployment increased to 5.2% in May, and many economists are predicting 6% before the year is out.

The Federal Reserve's tight money policy has sent interest rates to 12%, their highest level in history. High interest rates are a severe restraint on the economy, dragging it deeper into recession.

A fiscal stimulus is the most widely accepted response of economic policy to economic downturns and recessions, and the fastest working fiscal stimulus is a tax cut. The well-known general tax cut of the early 1960's ended a period of recession and stagnation, and launched the longest uninterrupted period of growth and price stability in our history.

The stimulus will not impede the fight against inflation. Forces generated by the soaring cost of food and fuel are working their way through the economy, and will not be significantly affected by the proposed amount of tax relief.

In any event, the $6.5 billion cost of the tax relief can be offset by revenue gains from tax reform.

Tax relief can also receive the pressure of the large wage increases that may otherwise be sought this year to keep up with the cost of living.

Exemption/credit—$5.9 billion in tax relief will be provided in these parts of the package. By combining an $825 exemption and a $190 optional credit, the proposed amendment offers across-the-board relief to taxpayers at every income level, while concentrating the relief in low and middle income groups, who are hardest hit by inflation. Thus, 82% of the $5.9 billion in tax relief go to taxpayers earning $15,000 a year or less, and 91% will go to those earning $20,000 a year or less. The distribution of the tax relief by income class would be as follows:

Adjusted gross income	Number of returns with tax decrease (thousands)	Number of returns made nontaxable (thousands)	Decrease in tax liability (millions)	Distribution of tax decrease	
				Percent	Cumulative
$0 to $3,000	4,057	2,558	203	3.4	3.4
$3,000 to $5,000	7,579	1,604	527	8.9	12.3
$5,000 to $7,000	8,273	1,247	730	12.3	24.6
$7,000 to $10,000	11,428	767	1,230	20.7	45.3
$10,000 to $15,000	15,952	251	1,669	28.1	73.4
$15,000 to $20,000	9,856	17	723	12.2	85.6
$20,000 to $50,000	9,006	3	728	12.3	97.9
$50,000 to $100,000	655	(1)	96	1.6	99.5
$100,000 and over	160	(1)	27	.5	100.0
Total	66,966	6,447	5,934	100.0	100.0

[1] Less than 500 returns.

Note: Items do not necessarily add to totals because of rounding. Calendar year 1974 income levels.

"Work bonus"—$600 million in tax relief will be provided by this part of the package. Although workers with incomes below the poverty level are generally not subject to the income tax, they pay Social Security payroll taxes. In recent years, the bite of the payroll tax has increased substantially, imposing an especially heavy burden on those at the bottom of the income scale. Under the Work Bonus, workers with children would receive a credit on their income tax for 10% of their wages, up to $4,000 of income. For incomes over $4,000, the credit is phased out at the rate of 25¢ per dollar, so that the credit is eliminated when income reaches $5,600. The credit is refundable—i.e., it is paid as an income tax refund, even if the recipient has no income tax liability.

Support of economists: Proposals for an anti-recession tax cut have the strong support of economic experts, including both Walter W. Heller and Arthur M. Okun, past Chairmen of the Council of Economic Advisers, and Paul A. Samuelson, winner of the Nobel Prize for Economics in 1970.

Prior Senate action: The Senate itself is already strongly on record this year in support of an anti-recession tax cut. Last January, by a vote of 53–27, the Senate approved an anti-recession tax cut amendment, but the vote was nullified by later action recommitting the underlying legislation. In light of the drastic first quarter slump, the case for a tax cut is stronger today than it was in January.

In addition, last November, the Work Bonus was reported to the Senate as part of the Social Security Act amendments, and an amendment to strike the Work Bonus was defeated by a vote of 57–21.

Mr. KENNEDY. I would now like to address some questions to the Senator from Alabama. I wonder if the Senator could give us some idea of his inclination as to how long he intends to be talking about the matter which is before us, particularly on his technical amendment to the amendment.

Mr. ALLEN. I may say to the Senator from Massachusetts that he might call a $5 billion reduction in the debt a technical amendment, but it seems to the Senator from Alabama that $5 billion is still a pretty substantial sum. That is the thrust of the Senator from Alabama's amendment.

The Senator from Alabama does not know what developments will take place with respect to the bill. He is perfectly willing to withdraw the amendment and have the bill proceed to a third reading, if that is the wish of the Senate. He does not know whether that agreement can be reached at this time, or later in the week, or possibly next week.

Mr. KENNEDY. I know that that is a great responsibility of the leadership, but is the Senator willing to enter into a time limit on the Senator's amendment and permit Members the opportunity to address the different provisions of the very comprehensive amendment which will be offered, as I mentioned during my formal remarks?

Mr. ALLEN. The Senator from Alabama would be delighted to agree to a time limit on his amendment and all amendments, provided they are germane.

Mr. KENNEDY. As I understand, then, the Senator would be prepared to agree to a time limitation on his amendment.

Mr. ALLEN. Not on his alone, but if an agreement is made that all amendments of every sort shall be germane, he is agreeable to entering into such an agreement.

Mr. KENNEDY. But the Senator is not willing to agree to a time limitation on his amendment?

Mr. ALLEN. Not at this time.

Mr. KENNEDY. Not at this time. Can the Senator give us any idea as to how long he is going to talk? Those of us who were involved in the debate on the debt ceiling act and the campaign spending amendment last November know very well the capacity of the Senator from Alabama to engage in extended debate and discussion, and I am wondering whether he can give us some idea as to whether he intends to talk as long as he did on that particular measure.

Mr. ALLEN. Well, the Senator has pretty well answered his question, I believe, I would say to the distinguished Senator from Massachusetts. He is perfectly willing to enter into an agreement to limit debate on all amendments, but as the Senator knows, when such an agreement is entered into, there is also an agreement that amendments shall be germane.

Mr. KENNEDY. It is certainly my idea that tax justice and tax equity would be among the most germane possible amendments that could be considered on the debt ceiling act.

Will the Senator be willing to yield the floor at the proper time to permit our amendment to be called up, so that we can get on with our debate of that issue? Or does the Senator from Alabama intend to call up his amendment?

Mr. ALLEN. It is pending, I believe, at this time.

The PRESIDING OFFICER (Mr. HELMS). The Chair notes that the time of the Senator from Massachusetts has expired.

Mr. ALLEN. Mr. President, the Senator from Alabama seeks the floor.

The PRESIDING OFFICER. The Senator from Alabama has the floor.

Mr. ALLEN. The amendment of the Senator from Alabama is pending. Of course, a motion to table the amendment could be made—that is, if some Senator gets the floor for that purpose.

Mr. KENNEDY. Will the Senator give us an idea when he will be planning to yield the floor for any purpose?

Mr. ALLEN. I do not have any present intention to yield, except the Senator from Alabama was glad to accommodate the Senator from Massachusetts so he could make his speech with respect to the bill.

I might say the Senator from Alabama has noticed that the Senator from Massachusetts did not suggest the possibility of cutting expenditures in order to prevent the tax cuts that he is proposing from being highly inflationary, and the Senator from Alabama feels that a cut in expenditures is just as essential as is a cut in taxes, and if those two could be lumped together, it would go a long way toward solving the inflationary argument against the Senators' amendment.

The Senator from Alabama noticed another item in the distinguished Senator's speech, where he spoke of the present provision on a minimum tax. Instead of providing an adequate minimum tax, it in itself was the result of tax loopholes. and the Senator from Alabama would point out that an amendment by the distinguished former Senator from Iowa, Mr. Miller, was adopted on the Senate floor, which was an amendment to the committee amendment. It was legislation on the floor of the Senate, which the Senator from Alabama thinks is ill advised when we have such a capable and distinguished Committee on Finance that the Senator from Alabama would like to have advice from before he acts on these tax cut measures.

Mr. KENNEDY. Mr. President, will the Senator yield?

Mr. ALLEN. For a question, yes.

Mr. KENNEDY. Will the Senator agree with me that actually the minimum tax proposals were considered in the Finance Committee and reported from the Finance Committee in a very responsible way? Senator Miller's amendment was a floor amendment to a committee bill.

I agree with the Senator that it is regrettable that the Miller amendment was accepted, although it was over my protest.

Would the Senator be willing to yield for a tabling motion after 3:30 p.m.? As I understand it there is an agreement to withhold votes until that time.

The Senator has talked about reducing the deficit, but the Senate voted on a similar measure just last week. The overwhelming majority of the Members of the Senate voted in a $10 billion cut in spending.

Given the fact that we have only a 2-week period to consider the debt ceiling act, the Senate is ready to vote now on the Senators' amendment. We ought to move on to the merits of the tax reform and tax relief provisions.

Let me say finally that one of the real voices in this country for tax reform, a voice that awakened the country more than any other voice for tax reform, was the voice of the Governor of the Senator's own State, Governor Wallace, during the 1972 campaign. There is an extraordinary irony here. That concern was expressed by the Governor of Alabama. Yet, there has been such a paucity of action by the Senate and Congress in providing tax justice. And now, it is ironic that the Senator representing that State so well and so capably should be involved in any tactics which would deny us an opportunity to have a full and open discussion and debate and vote on tax reform.

Perhaps I am drawing too many conclusions from the fact of the Senator's taking the floor and from his answers to me about the questions of debate and vote on the various measures included in our comprehensive proposal.

If the conclusions are erroneous, then I obviously want to be corrected. But I do notice that there is a note of irony in this debate which has gone on for just a few hours, when it looks like we may be in for a very protracted and long discussion, designed to prevent debate and vote on tax reform.

Mr. ALLEN. I thank the distinguished Senator. Of course, the Senator from Alabama yielded for a question which turned into quite a lengthy dialog. But the Senator from Alabama, taking the Senator's comments as a question calling for an answer, will say that the Senator from Alabama is as much for a tax cut as the Senator from Massachusetts.

I might say that one of the very first amendments or pieces of legislation the Senator from Alabama offered on the floor of the Senate was an amendment that did not provide the $825 exemption provided by the amendment of the distinguished Senator from Massachusetts, but provided for a $1,200 exemption. The amendment was called up and voted on by the Senate. It was defeated by about a 2-to-1 margin.

The Senator from Alabama favors tax reduction. He favors a reduction in Federal expenditures. He also favors receiving the advice of the constituted committees of the House and the Senate as to what measures and in what manner tax cuts and tax raises might be implemented.

The Senator from Alabama feels that now is not the proper time to reduce Federal revenue, that now is not the time to increase Federal Government deficits. Now is the time to cut Federal spending, but not on the vehicle that is being used.

The Senator from Alabama feels that the tax measure ought to come forward from the House of Representatives based upon the recommendations of the Ways and Means Committee of the House.

Mr. KENNEDY. Mr. President, will the Senator yield for a question?

Mr. ALLEN. I will yield for a question as soon as I have finished with my remarks.

The Ways and Means Committee of the House is more or less a continuing body over there, and I assume that they are taking testimony, making studies all the time of desirable changes in the tax law.

The time has come for a change in the tax laws. The time has come for a tax cut in some areas, a tax raise, or an elimination of loopholes in another area.

But what is a mystery to me is why we do not wait on the Ways and Means Committee of the House, which the Senator from Alabama understands from remarks made by the distinguished Senator from Utah (Mr. BENNETT) earlier today, is in the process of marking up the bill at this time.

If that bill came over with recommended changes, after passing the House of Representatives, and went to the Senate Finance Committee, and they polished up the legislation, made such changes as they wanted in the bill, and it came to the floor of the Senate as a balanced bill, cutting taxes in some areas, increasing some taxes, and closing loopholes in another area, that would then be the proper time to consider such a measure, provided there were a cut in Federal income taxes.

So the Senator from Alabama is just as strong for tax reduction, just as strong for the closing of loopholes, just as strong for moving the tax burden onto those most able to pay, as is the Senator from Massachusetts.

The fact is that the Senator from Alabama does not approve of this legislation at the point of a gun; that he sees this legislation as being tacked onto a bill that must pass by the 1st of July, whether the matter has been properly considered or not. If it takes hearings, if it takes consideration by the two committees, how is it that the Senate can act on these measures without any hearings or any study or any balancing of income against a reduction in the Federal expenditures?

So the Senator from Alabama certainly rebuts the statement made by the Senator from Massachusetts that it is ironic that he is opposed to this amendment of the Senator from Massachusetts.

Therefore, if the Senator now wishes to ask a question, the Senator from Alabama will yield for that purpose.

Mr. KENNEDY. To return to my basic request—would the Senator be prepared after 3:30 to yield for a tabling motion by the Senator from Massachusetts?

Mr. ALLEN. The Senator from Alabama would hate to see his amendment defeated at this time, especially when we have only three or four Senators present to consider the arguments of the Senator from Alabama. He would hate to see his amendment tabled, and he would like to wait until such time as we could have a large representation of the Senate present.

He would not be willing at this time to agree upon a time when we might have a tabling motion on his amendment. He thinks the amendment cutting the debt ceiling by $5 billion is so important that we ought to have a better showing of Senators present during the discussion. So at such time as he feels that the Senate has had sufficient debate on this subject, he would be willing to yield the floor.

Mr. KENNEDY. The Senator is mindful that the Senate passed a $10 billion cut in spending only 5 days ago by a vote of 74 to 12.

As I understand, the Senator from Alabama is suggesting, in effect, a $5 billion spending cut. We voted on this issue 5 days ago, and it was accepted by the overwhelming majority of the Senate. Yet, as I understand it, the Senator is not willing either to set a firm time for a vote on it or to give any inclination as to when he will be prepared to have a final disposition of it, so that we may turn to tax reform issues and permit a vote by the Senate.

Mr. ALLEN. When the Senator is talking about the $10 billion amendment adopted the other day, he is comparing apples with oranges, because that had nothing to do with the debt ceiling, as the Senator knows.

It was an ineffectual amendment that, of course, will not be in conference longer than about 30 minutes, because it will be knocked off the bill. It merely expressed a hope rather than any real downright legislation, because that would never see the light of day. The amendment of the Senator from Alabama refers to something entirely different. It is the debt limit, whereas the other had to do with the budget.

Mr. KENNEDY. It is interesting that the Senator from Alabama recognizes the importance of the Debt Ceiling Act as a vehicle in achieving his aims. To those of us who are sponsoring this amendment to provide tax relief and tax reform. The Debt Ceiling Act is also the most important vehicle to get the job done.

I am glad we have an admission from the Senator from Alabama on the appropriateness and importance of permitting additions to the Debt Ceiling Act, to carry out the commendable public policy concerns that we have in the Senate.

I would like to ask specifically whether the Senator from Alabama supports tax reform. I wonder if he can share with us some of the areas of tax reform which he supports.

We have a particular measure here. I know that the Governor of Alabama has supported a tax reform program. He did it in my own State. He got a good deal of interest and I must say a great deal of support.

I am interested, in the question under discussion, if the Senator from Alabama would elaborate with any degree of specificity what kind of reforms he would like to see in the tax code. Would he like to see an ending of the oil depletion allowance, for example?

Mr. ALLEN. The Senator from Alabama will consider that amendment when it comes up.

I feel there should be some changes in taxation regarding the oil companies. Whether in the area of foreign depletion allowances, as the distinguished Senator from Louisiana supports, whether in the field of the domestic depletion allowance, whether it should be in the field of disallowance of credit for taxes paid to foreign governments, or whether it should be in the area of drilling costs, some reform is needed.

That is the very point the Senator from Alabama is making. He would like to hear and see recommendations from the appropriate committees.

The Senator from Alabama would like to veer away from legislation that might discourage production. If we had a recommendation from the Finance Committee in this area, then we would have something to travel on, rather than a mere statement of the distinguished Senator from Massachusetts, as much importance as the Senator from Alabama attaches to that.

Mr. KENNEDY. Of course, it is a position which is now shared by a number of other Senators, and all we are trying to find out is whether it is shared by a majority of the Members of the Senate.

Any extended debate or discussion by the Senator from Alabama would virtually prohibit the majority from having an opportunity to express its view on the issue of the oil depletion allowance.

Mr. ALLEN. I will say this to the distinguished Senator from Massachusetts: If the Senator from Massachusetts will wait until tax legislation comes over from the House of Representatives which is considered by the Senate Committee on Finance and comes to the floor, he will not hear any argument from the Senator from Alabama in that regard.

But the Senator from Alabama does feel that it is ill-advised to bring up approximately 150 amendments, and that is what the Senator from Alabama foresees as a likelihood, without any correlation between or among any of the amendments. I believe that is not in the interest of sound finances or good government.

The Senator from Massachusetts has seen these bills before where they are made into something of a Christmas tree, so-called, because there is something on it for everyone, the burden is eased on everyone, everyone gets a concession, everyone gets a reduction, and each Senator tries to outdo his colleagues in giving more to the area of his constituency than the other Senators do. The Senator from Alabama does not feel that that is in the interest of good government, good tax law, or good economy.

That is the opinion of the Senator from Alabama.

Mr. KENNEDY. I gather the Senator from Alabama is setting himself up as sort of watchdog in terms of what the interests and rights of other Members of the Senate are, and what they will be permitted to vote on.

Mr. ALLEN. Let me answer that. The Senator from Alabama does not so regard himself, but he would regard that as a compliment if it were the fact, because I believe that we need more watchdogs in the Senate than we have. I will say that to the distinguished Senator from Massachusetts.

Mr. KENNEDY. If the Senator will yield for a question again, if I asked for a time limitation on our amendment to provide a degree of tax equity and tax reform, would the Senator from Alabama object?

Mr. ALLEN. The Senator from Alabama would not object to that time limitation provided it was stipulated that the amendment referred to by the disinguished Senator shall be germane to the bill.

Mr. KENNEDY. Is the Senator going to object to a time limitation on this particular matter?

Mr. ALLEN. I have stated I will not object provided, as the custom is, that all such amendments, when a time limitation is stipulated, shall be germane. Will the Senator agree to that customary stipulation?

Mr. KENNEDY. Will the Senator repeat his question?

Mr. ALLEN. I stated that the Senator from Alabama is perfectly willing to agree to a time limit if, as, and when the amendment of the Senator from Massachusetts is offered, provided it is stipulated that the amendment offered by the distinguished Senator from Massachusetts shall be germane to the bill.

Mr. KENNEDY. I am asking for a given period of time. It is certainly my belief and that of other Senators that this is a germane amendment, although it may not technically meet the Senator's definition.

Mr. ALLEN. Will the Senator stipulate that it must be germane to be offered?

Mr. KENNEDY. I think the Senator understands the rules well enough that if we can offer this particular proposal, and have the support to do so, it can be so offered, I recall the question of adding social security amendments to the debt limitation bill to provide some degree of equity to the millions of people that were being deprived of adequate social security benefits. That was hardly germane by the Senator's present definition.

All we are trying to do now is to permit Senators to exercise their right to vote on tax relief and tax reform. I gather, from what the Senator from Alabama has said, that he would object to any time limitation for the consideration of that amendment.

Mr. ALLEN. No. The Senator from Massachusetts has said again and again that the amendment is germane. All that the Senator from Alabama is asking is that it be stipulated in connection with the time limitation that the amendment shall be germane. The Senator says it is germane. The Senator from Alabama is willing to enter into that agreement if that suits the distinguished Senator from Massachusetts.

Mr. KENNEDY. The Senator from Massachusetts says that it certainly is germane in terms of the matter being discussed.

Mr. ALLEN. Then what objection would there be to having it stipulated?

Mr. KENNEDY. If the Senator will permit me to respond to that statement, there are millions of taxpayers being gouged by loopholes and exploited by special interests. It is germane to them. It is germane to the subject matter being discussed and considered. But the Senator from Alabama is relying on a parliamentary technicality on germaneness. That may satisfy the Senator in his effort to defeat reform. But it will not satisfy the majority of the American people who are distressed by the huge

and increasing number of loopholes which exist in the tax system, and who are distressed by the general economic climate. To them, the amendment is completely germane.

I wonder why the Senator from Alabama is being so technical. Does he hope to prevent debate or discussion on this matter by not allowing a time limitation? Is he saying that he will set himself up as the Senate watchdog, and prohibit any other Member of the Senate from having the opportunity to talk on tax reform or to be able to vote on it?

Mr. ALLEN. The Senator from Massachusetts has been doing about as much talking as the Senator from Alabama has.

Mr. KENNEDY. I am prepared to offer a time limitation. I wish the Senator would do the same. I wish he would let us debate this amendment on tax relief and tax reform. I would be glad to offer a unanimous-consent agreement if the Senator would be willing to accept it.

Mr. ALLEN. The Senator from Alabama thanks the Senator from Massachusetts——

Mr. KENNEDY. Would the Senator be willing to do that?

Mr. ALLEN (continuing). For his generosity. The Senator from Alabama has yielded to the Senator from Massachusetts to make a speech on an amendment that is not before the Senate. He has yielded to him to speak at length when the Senator was supposed merely to be asking a question. The Senator from Massachusetts has not been prevented from talking to whatever extent he wanted. I see no reason why the Senator should feel he is not being allowed to debate because he has used just about as much time as the Senator from Alabama has. But if he does not have any more questions, the Senator from Alabama would like to conclude his remarks, or at least to continue them.

Mr. KENNEDY. Would the Senator be willing to set aside his amendment to permit consideration of the amendment which I have outlined for a 10-hour period, and then return to the Senator from Alabama's amendment for a similar period of time, or any period of time the Senator may designate? Perhaps we could end the stalemate at this time, permit the Senator from Alabama to debate and discuss whatever he wants and permit other Senators to offer their amendments. Would he be willing to accede to that request?

Mr. ALLEN. In answer to the distinguished Senator from Massachusetts, the Senator from Alabama would say that on at least two occasions in the last few minutes he has agreed to a time limitation on the amendment, provided the Senator stipulates it shall be germane. The Senator has not been willing to do that.

In the second place, of course, we feel that the Senator from Massachusetts should have due consideration and extra consideration—and the Senator from Alabama has given him that extra consideration. But with all due respect to the distinguished Senator from Massachusetts, the Senator from Alabama, having an amendment that he plans to introduce, does not feel it is quite incumbent upon him to lay that aside just because the Senator from Massachusetts wants to spent 10 hours discussing his amendment.

The Senator from Alabama, I dare say, has not discussed his amendment more than a couple of hours, and now the Senator from Massachusetts wants 10 hours. So I feel the Senator is making an unreasonable request.

Much as the Senator from Alabama would like to accede to the Senator's request, the Senator from Alabama must respectfully decline.

Mr. KENNEDY. Is it the length of time that was requested that the Senator objects to? Would he be more comfortable if we asked for 5 hours of time on my amendment and 10 hours of time on the amendment of the Senator from Alabama?

Mr. ALLEN. The Senator from Alabama again says, provided the Senator will agree that his amendment shall be germane, he would have no objection to setting a time limitation on the amendment of the Senator from Massachusetts, when we get to it. But the amendment of the Senator from Alabama is at the desk, and he believes that he was here when the bill came up for consideration. Every Senator has a right to offer an amendment, as the Senator from Alabama understands it, and he was here. He offered an amendment. Why I should be called on to set my amendment aside so that the Senator from Massachusetts could bring up his amendment is something that the Senator from Alabama, with all due respect, does not feel he should be called upon to do.

Mr. KENNEDY. The Senator's point is well taken. Would the Senator agree to a time limitation on the Senator from Alabama's amendment, and then a time limitation for the consideration of my amendment?

Mr. ALLEN. I shall not say again provided the Senator——

Mr. KENNEDY. Just so we have a clear understanding and so that the record will be clear to everyone.

Mr. ALLEN. I say again, provided the Senator is willing to agree that his amendment shall be germane, because he has refused time and again to agree to that.

Mr. President, having responded to all the questions that I believe the Senator from Massachusetts has, the Senator from Alabama would like to continue his remarks with regard to the pending bill.

Mr. President——

Mr. HASKELL. Mr. President, will the Senator from Alabama yield without losing his right to the floor so that I may ask for some time, say 10 minutes, for remarks on this general subject matter, now or later, but at some specified time?

Mr. ALLEN. Mr. President, I ask unanimous consent that at the hour of 4 p.m. today I may yield 10 minutes to the distinguished Senator from Colorado (Mr. HASKELL) without losing my right to the floor.

The PRESIDING OFFICER (Mr. HELMS). Without objection, it is so ordered.

Mr. HASKELL. I thank the Senator from Alabama.

Mr. ALLEN. Mr. President, we have before us——

Mr. KENNEDY. Mr. President, will the Senator from Alabama yield for a unanimous-consent request?

Mr. ALLEN. I yield, provided I do not lose my right to the floor and provided it will not be considered a second speech.

Mr. President, we have before us H.R. 4832, a bill coming over from the House of Representatives, providing for an increase in the temporary debt of the National Government up to $95 billion.

A point of order, Mr. President—a parliamentary inquiry.

The PRESIDING OFFICER The Senator from Alabama will state it.

Mr. ALLEN. If the Senator from Alabama calls up his amendment at this time, will he be permitted to speak on the amendment?

The PRESIDING OFFICER. Technically, the Senator from Alabama would lose his right to the floor under such circumstances, but it would be up to the Chair to recognize the Senator.

Mr. ALLEN. Very well. I ask that my amendment be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

On page 1, line 7, strike "$95,000,000,000" and insert in lieu thereof "$90,000,000,000".

Mr. ALLEN. Mr. President, the national debt limit at this time is divided into two divisions. There is a permanent debt limit of $400 billion. We have used up that limit. We owe that entire $400 billion.

Also, we have the convenient little method of providing from time to time that, in addition to that permanent debt, the Government is entitled to go into debt additional amounts, and that is called the temporary debt.

Our present limitation on the temporary debt is $75.7 billion. We have almost come up to that. We are just within striking distance of coming up to the limit.

Not only is there a limit on the amount of temporary debt; there is a limit on the authorization to become indebted for that amount. There is a limitation of time on that authorization.

So the National Government is authorized to be $400 billion in debt permanently—that is just set aside, with nothing else done to that—and then through the 30th of June, this year, we are authorized to go up to $75.7 billion in temporary debt.

It is going to be necessary, and this bill so provides, to raise that $75.7 billion to $95 billion.

I do not know whether it is convenient that we forget about the $400 billion, or what. The bill does not say anything about the $400 billion. We will just forget about that, I suppose. The bill refers only to the temporary debt, the time during which we may be indebted for that amount, and the amount, itself.

The House passed this bill at a time when they had tax measures before the

Ways and Means Committee. This went to the Ways and Means Committee. The committee did not see fit to add a package to the bill. It is what is called a clean bill, just as clean as it can be, on one side of a sheet of paper, 12 lines long. It authorizes the national Government to raise its indebtedness by $19.3 billion, and to extend that time through March 31 of next year.

I do not have the honor of serving on the Senate Finance Committee, but I assume that the Finance Committee is just in the permanent process of studying the tax laws. That is what I would feel they are doing. They have a very expert staff. They are a very able committee, composed of the ablest Members of the Senate in the field of finance. I think we can safely say that.

They are in the process all the time of receiving recommendations, making tax studies, seeing where the tax laws are falling down, seeing where loopholes appear, and devising ways and means of improving those tax laws.

With the Ways and Means Committee, it is the same. The chairman of that committee is Mr. WILBUR MILLS, an outstanding authority on taxation, a man who has made a life study in this field, a man who knows the effect that one approach will have on the economy of our country or the effect another approach will have on the other tax laws; the effects of moving in one direction as opposed to moving in still another direction; the effect that tax cuts will have on the economy.

The leading economists in the country, the leading Government officials in the field of economy, in the management of money, in the management of our economy, appear before these committees. They advise these committees of what tax changes are needed; how much revenue will be lost by this measure; how much will be lost by another measure; how it can best be recouped; how the closing of this loophole might create another loophole under another bill.

Mr. President, the distinguished Senator from Louisiana, the able and distinguished chairman of the Finance Committee, the man who knows more about taxes than any other Senator, in the judgment of the Senator from Alabama, understood and knew that an effort would be made on the floor of the Senate to offer and obtain the adoption of amendments dealing with billions of dollars in the field of Federal taxation.

I wish that the Ways and Means Committee had come up with a tax package—one cutting taxes in the area of the individual income taxes; closing loopholes in other areas; withdrawing certain exemptions and deductions allowed to many of our corporations, foreign and domestic and international; and would have laid that matter before the House of Representatives.

Members would have had something to stand upon and to stand by. But did they do that? No. This is what the House of Representatives passed, right here. That is all it takes to extend the temporary debt authorization and to increase the amount of the temporary debt. But if the House of Representatives had said, "Well, we are not going to worry with a tax bill over here; we are just going to add a package to this debt ceiling measure and the President has to sign it because the Government will shut down if they do not pass it by the 1st of July," that would be a whole lot better than passing it like it is and turning it over to the House of Representatives to offer amendments without any guidelines on what effect it will have on the economy and without any guidelines as to what effect those amendments will have on the public Treasury.

The House did not do that. The Ways and Means Committee of the House did not do that. I guess one reason they did not do it, although I do not believe they have been very bad about adding amendments to the debt ceiling bill—I suppose one reason they did not add amendments in the way of tax legislation to this bill, and I might say, if they had, the amendments would have been permitted once they come over here, but I suppose they realize that the Ways and Means Committee of the House is now in the process, as stated by the distinguished Representative from Utah, Mr. DENNIS, the ranking minority member of the Ways and Means Committee, of marking up a tax bill.

Mr. President, that is the way to do it. We all know that. Let the Ways and Means Committee of the House recommend to the House a tax bill. I believe under the rules of the House they can pass a rule that there are not going to be any amendments; they just have to vote it up or down. Members here have been in the House and they know if that is correct but I believe that is the rule. They can prevent amendments.

But the chances are if that tax package had gone from the Ways and Means Committee of the House to the House floor it would have been adopted by the House and would have come over here. I am sure that had such a bill come to the Senate and that had gone to the Committee on Finance, as, of course, it would have, the Committee on Finance under the leadership of its distinguished chairman, the Senator from Louisiana (Mr. LONG) would have polished it up and possibly added amendments in those fields or even other fields, for that matter and as long as the committee is doing it, they would have weighed the pros and cons, weighed the effect on the Treasury and the effect on the economy, and then sent it to the floor, and we would not have discussions of this sort at this time. Every amendment of that bill would be able to stand on its own. We would feel that the Committee on Finance had reported a good bill and chances are, as far as the Senator from Alabama is concerned, he would have gone along with the recommendations of the Committee on Finance in view of the high regard he has for that committee and its membership. That was not done, Mr. President.

The House passed the debt ceiling bill that had come to it from the Ways and Means Committee—passed it without change. It came to the Finance Committee of the Senate. I notice they are so anxious to get it out, and I applaud that effort; I was anxious to see it come out because we need to get it passed.

But whereas the other bill we had on the calendar we thought was going to come up and these amendments were going to be sought to be added, H.R. 8217, I believe, that bill had an amendment on it. If I am not mistaken, it came from the Committee on Finance. If I am wrong on that, I will be glad to be corrected.

Mr. LONG. Mr. President, will the Senator repeat that statement, please?

Mr. ALLEN. I stated I believe the amendment on H.R. 8217 came from the Committee on Finance of the Senate. It had to do with retirement income; the exemption of a certain amount of retirement income.

Mr. LONG. I thank the Senator.

Mr. ALLEN. I thought I had read the other report correctly. I am for that amendment. It was fine; it was a good amendment, having to do with the amount of retirement income that might be excluded from income subject to taxation. That amendment was put on H.R. 8217 that we thought was going to come up, and the plan was changed, I believe, because H.R. 8217 was a bill having to do with duty on certain ships, I believe. That is as far as the Senator from Alabama read. It did not concern him a great deal, although I am sure it is an important amendment.

But the Committee on Finance added an amendment to that bill and sent it to the floor of the Senate. As to the debt ceiling bill, no amendments are added. It is a plain, simple bill extending the debt ceiling and the temporary debt authorization. It puts us in a position now that if we defeat all of the amendments, including the amendment of the Senator from Alabama that is pending at the desk and before the Senate, then the Senate can pass the bill.

Mr. President, the cause of tax reform will not thereby be lost. Tax reform is supposed to come from tax reform legislation coming through recognized channels.

Mr. President, even though the distinguished Senator needs no defense, I am defending the rights and prerogatives, the privileges and authority of the Finance Committee of the Senate and the Ways and Means Committee of the House. I hate to see the Senate having before it 150 amendments or more tampering with the tax laws, when the Committee on Finance has not made a recommendation as to a single one of those provisions. One of the functions of the committees is to make recommendations about changes in the tax laws. I believe we give the duly constituted committees an opportunity to act in this regard.

Mr. President, if the Ways and Means Committee of the House and the Senate Finance Committee pass out a bill with balanced changes in the tax laws relieving individuals of taxation, closing loopholes, so that a balanced bill can be brought before the Senate with recommendation of those two committees, you are not going to see the Senator from Alabama discussing any such bill

at great length. He might discuss certain amendments for brief periods, but he would not have an extended discussion with respect to any such bill.

Mr. President, I do not believe the Senate is going to take any back door approach. Why should the Senate go in the back door as regards tax legislation? Why should the House of Representatives take the back door approach? They should not. They should come forward with a tax bill—a tax reform bill, if you please, Mr. President. The Senator from Alabama is just as strongly for tax relief as is any other Member of this body or any Member of the other body. He believes now is not the right time for a tax cut without an accompanying reduction in expenditures.

Do we hear anybody calling for reduction of expenditures? There are a few voices crying in the wilderness, like the voice of the able Senator from North Carolina (Mr. HELMS), now presiding over this body, but is there any great hue and cry in the Senate or in the House for a reduction in expenditures?

If we are going to reduce income taxes, we have to have an accompanying reduction in expenditures, else it would be highly inflationary.

A large number of persons—in the millions, for that matter—would receive some tax relief under some of the proposals that would be offered on the floor of the Senate. I do not know what they would all add up to. I would say a conservative estimate would be $20 billion to be contained in the various amendments prepared for introduction to this bill. But I do say that whatever relief a person might get by a tax reduction he would pay dearly for in the form of increased inflation, in increased erosion of his sales, in increased costs of living, in a decrease in the buying power of his paycheck.

Mr. President, to turn this bill out before the Senate for amendments on the floor without any guidance from the committee, would be a dangerous step. When I speak of the possibility of 150 amendments being prepared, I am judging the present and the future by the past.

In the 91st Congress, on H.R. 13270, the income tax reform measure, that bill was debated for a period of 14 legislative days. Fourteen days of the Senate's time were used in debating that bill. One hundred and sixty amendments were printed, 75 were adopted, 38 were rejected.

On H.R. 1, in the 92d Congress, the Social Security Act, the debate took 8 days. One hundred and seventy-three amendments were printed, 44 were adopted, 19 were rejected.

The Revenue Act, H.R. 10947, that same year was debated for 10 legislative days. Ten days time of the Senate was used on that act. The printed amendments were 150 in number. There were committee amendments which were adopted en bloc. Seventy-one amendments were adopted, of which 24 were floor amendments, not even printed amendments. Some Senator would say, "Gee, that's a good amendment. Write it down and put it in." Seventy-one amendments were adopted to the Revenue Act of 1971, but 21 amendments were rejected, and 17 of those were floor amendments which were not printed, but were offered, more or less, on the spur of the moment.

So that shows the history of this type of legislation. We will end up with a Christmas tree on this bill. A Christmas tree, of course, is a bill that has all these lights on it, all of these presents, all of these goodies for our constituents. There is something in a Christmas tree bill for everybody, and Senators are inclined, each one, to try to outdo the other. If one Senator offers an $825 exemption, another Senator thinks that is too little, and he raises it to $1,000. If some Senator is recommending a tax cut in an area in a given figure, another Senator would think that is too little and he would try to raise it.

So we will find Senators each trying to outdo the other in the form of reforms and benefits for their constituents.

What about the public interest, Mr. President? Where would the public interest fare under a situation of this sort? There again, Mr. President, I say we urgently need the recommendation of the Finance Committee, under the leadership of its distinguished chairman, the distinguished Senator from Louisiana.

I say that if a tax package had come from the House, recommended to it by the Ways and Means Committee, and if a package had come to us from the Senate Committee on Finance, it would be received with a whole lot better grace by the Senator from Alabama.

Mr. LONG. Mr. President, if the Senator will permit me—and I ask consent that it not prejudice the Senator's rights—to say this, it might be well for the RECORD to reflect the history of the so-called Christmas tree bill. My recollection is the first one started back when Lyndon Johnson was President and was beginning the Great Society program. As the Senator knows, that involved an enormous amount of legislation. At that time the Senator from Louisiana was managing revenue bills to help implement the Great Society program, and they were numerous.

In my efforts to advance these bills as expeditiously and as rapidly as I could to the President's desk, it became my duty repeatedly to prevail upon Senators not to offer their amendments at the time but to hold them, with the assurance that they would be able to offer them to some other bill that the President would be anxious to sign later.

President Johnson asked me how we were coming along in passing his administration's bills, and I said, "Well, it seems we have passed all but one. We are saving one that you have recommended, and that will be the last train through the station, so anybody who has an amendment will be given the opportunity to submit it on this bill."

That was the case both in the Committee on Finance and also on the Senate floor.

So in the committee about 20 amendments were agreed to and recommended by the committee after careful study. When the bill was brought to the floor, I advised all Senators who had wanted to offer an amendment during the year, "This is now the last bill to which you are going to have a chance to offer your amendment. So if you want to offer your amendment, you will have to offer it now or forever after hold your peace."

It was in late fall when the bill was before the Senate—at the end of the session. So some energetic and enterprising reporter of the Washington Post wrote that when that bill came to the floor, it lit up like a Christmas tree, because it had about 20 amendments that had been the favorite suggestions of a number of Senators, and, for the most part, included the best ideas that members of the committee had been advocating during the Congress.

To that there were then added about half a dozen other amendments before the bill passed and went to conference with the House.

I am happy to say that, in my judgment, the final bill turned out to be a very good measure. Before it was finally completed, there was a very heated debate on the argument that we had loaded too many things on the bill; that some of these amendments had not been carefully considered. Incidentally, the $1 tax checkoff had its genesis as an amendment to that bill, so there were things in that bill which occasioned a great deal of debate as the years went by. That was the bill which, I believe, was the Foreign Investors Tax Act, proposed by Mr. Douglas Dillon, at that time Secretary of the Treasury, to try to encourage the return flow of American dollars and to encourage Europeans to invest in the United States. That was the administration-recommended piece of legislation, which served as the horse on which all the riders climbed aboard.

I really think that by the time the bill finally became law it had a great deal more good than bad. I think, on balance, it was a good measure, but it did have a vast variety of legislative recommendations on it.

Since that time there have been references to Christmas tree bills, and I have some doubt as to whether the Senator ought to refer to what is in prospect here as a prospective Christmas tree bill because it is not December yet. [Laughter.] But that bill came before the Senate in late fall, October. I believe then people were thinking of snow on the ground and starting their Christmas shopping, and it was therefore named the Christmas tree bill.

Mr. ALLEN. I thank the distinguished Senator from Louisiana.

Mr. President, I thought I was being asked to yield for a question. I would like to ask unanimous consent that the resumption of my remarks will not be considered a second speech on the same subject.

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

Mr. ALLEN. Mr. President, I thank the distinguished Senator from Louisiana for giving me and the Senate and the RECORD this background information on the Christmas tree bill, its origin, and its development.

The Senator from Alabama, serving

his first term in the U.S. Senate, misses the full knowledge of the customs, traditions, and the heritage that many Senators in this body have, and that certainly the distinguished Senator from Louisiana has.

When the Senator from Alabama first came to the Senate—by the way, I just happened to remember it—I had this bit of information, which I will put in the RECORD a little bit later. I remember that the distinguished father of the distinguished Senator from Louisiana was a master of extended debate on the Senate floor.

I remember one of the bits of information that he imparted to the Senate was a recipe for pot liquor, and I remembered just the other day the origin of the term "poke salad" that is used down in Alabama and Louisiana and other sections of the South. A little later, possibly I will insert that in the RECORD. But we have too many things right now that need to be discussed with respect to this bill.

I do not believe we will ever have to resort to nongermane comments, just as we hope Senators will not resort to nongermane amendments to this bill.

Mr. President, when the junior Senator from Alabama came to the Senate almost 5½ years ago, eating in the Senators' private dining room there at one end of the Democratic table was the late distinguished Senator from Georgia, Hon. Richard B. Russell; and at the other end of the table was the late distinguished Senator from Florida, Hon. Spessard Holland.

The Senator from Alabama spent much time with those distinguished Senators, talking to them about the great battles in the Senate, talking to them about the rules of the Senate, the customs, the traditions, the heritage here in the Senate. Both of these great leaders have now passed on to their well-deserved reward.

No seats are assigned in the Senators' private dining room, but just by their prestige and positions at this time, the distinguished Senator from Louisiana (Mr. LONG) eats there in Senator Russell's seat, and the distinguished Senator from North Carolina (Mr. ERVIN) occupies Senator Holland's seat. So certainly we might be expected to get this information from the distinguished Senator from Louisiana, who has figured so prominently in debates on the floor of the Senate, certainly with respect to tax legislation.

The Senator from Alabama does not believe that he is distorting greatly the analogy of this bill and its prospective amendments to the Christmas tree approach. The Senator from Alabama did not know of the origin of this expression, but he has heard it mentioned from time to time.

When a bill gets out of all reason, when nobody can support such a bill conscientiously, when it has been burdened with so many provisions that are not realistic, that are not sound, when it has so many benefits and concessions to such a wide number of individuals that it might possibly even be suspected of being a bonus—when that takes place, then a bill, as the Senator from Alabama sees it, would be considered a Christmas tree bill.

Mr. President, when approximately 150 amendments are in the offing, I think it only safe to assume that a large number of them will be adopted without any reckoning of the cost to the Treasury, without any regard to the effect that these changes will have on the economy, without any regard to the effect that they will have on budgetary deficits, without any regard to any consideration other than the fact that it will give some temporary relief to a large number of citizens.

Mr. President, I believe with the amendments that are being discussed and the benefits that will be given to some of our people under these amendments, that the fuel that this increase in the deficit will add to the fires of inflation will cause the very people that we are seeking to help and relieve to lose under the provisions of the bill rather than to make gains.

They will lose because their pay checks will be less. They will lose because their savings will be worthless. They will lose because the best way to contribute to inflation is to continue large budgetary deficits.

So, Mr. President, it is my judgment that this bill should be passed as it came over to us from the Ways and Means Committee of the House, as it came to us from the House of Representatives, and as it came to us from the Senate Finance Committee.

Mr. President, with the appropriate committees of the House and Senate making careful studies of the effect that legislation will have on the economy, on our tax structure, on inflation, it would not be in the interest of sound legislation, sound government, or sound economy to submit this bill to general amendment by any Senator who might have some pet amendment reducing the income of the Federal Government.

Mr. President, I listened with interest, as many other Senators did, I am sure, to the appearance yesterday of the distinguished Senator from Louisiana (Mr. LONG), chairman of the Senate Finance Committee, on the program "Meet the Press." I ask unanimous consent that a script of that program be printed in the RECORD.

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

"MEET THE PRESS"—JUNE 16, 1974

(Produced by Lawrence E. Spivak)

Guest: Senator Russell B. Long (D., La.), Chairman, Senate Finance Committee.

Moderator: Edwin Newman—NBC News.

Panel: Harry B. Ellis, Christian Science Monitor; Walter Mears, Associated Press; Jonathan Spivak, Wall Street Journal; Irving R. Levine, NBC News.

Mr. NEWMAN. Our guest today on Meet the Press is the Chairman of the Senate Finance Committee, Russell B. Long, Democrat of Louisiana. Senator Long's committee considers legislation involving taxes, health, welfare, social security, medicare and foreign trade. He has served in the Senate for 25 years and is chairman of the Finance Committee since 1966.

We will have the first questions now from Irving R. Levine of NBC News.

Mr. LEVINE. Senator Long, tomorrow the Senate will begin consideration of a package of tax proposals which your Finance Committee has been laboring over. This will be an opportunity for the Senate to consider a tax cut for American income taxpayers amounting to about $6 billion, a proposal of which you are the co-sponsor.

How do you justify a tax cut at this time when inflation is the country's main economic problem?

Senator LONG. People in the middle and upper middle income brackets, be it organized labor or be it the wealthy, have ways that they can defend themselves from the ravages of inflation. That is not true with people who are in the lower income tax brackets, or with the poor. We ought to do something to try to relieve the burden of inflation from those who are not able to protect themselves from it.

Now, I would prefer that we reduce spending by about $6 billion and I would be glad to specify the items that I would like to cut, to offset that. I would prefer that we not try at this point to make back that whole $6 billion by raising taxes because I am afraid that those tax increases might very much reduce production in this country. In the last analysis, increasing production is the best way to defeat inflation.

I think that we will do some of both. We will vote to reduce taxes; we will vote to increase the taxes on some that the Senate thinks are better able to pay. Then we will see what happens. If we are able to pass it, and there is going to be a lot of difficulty about that, because there may even be a filibuster against it, the President will probably veto it if it reaches his desk. We will see if we can override a veto if that should happen.

We will see what happens. Otherwise we will have to pass that debt limit bill I suppose without any amendments on it.

Mr. LEVINE. I gather from your replies then that you do anticipate the Senate will pass such a tax cut?

Senator LONG. If permitted to vote it will.

Mr. LEVINE. And do you anticipate there would be sufficient votes to override a presidential veto?

Senator LONG. I don't think so.

Mr. LEVINE. In that case then the tax relief proposal would be attached to a bill raising the debt limit. Would the Senate then be prepared in your appraisal to pass a single bill permitting the debt limit to be raised so that the government could meet its bills?

Senator LONG. It is impossible to say at this moment. That would be a confrontation between the President and the Congress.

Mr. LEVINE. If that is the case, why not simply pass the debt limit bill now and handle the tax proposals separate as many advocate?

Senator LONG. Because those who want the tax cut and feel very strongly about it are determined to lay that on the President's desk and to try to prevail in that matter.

(Announcements.)

Mr. ELLIS. Senator Long, you have said that you are in favor of a tax cut for lower income Americans, and I believe that you also said indirectly that business should have some tax incentives in order to spur production.

Now, one case in point is the oil depletion allowance. The House appeared ready to eliminate or at least phase out the oil depletion allowance which allows oil and gas companies to exempt from their gross income 22 percent of taxable income. Should that oil depletion allowance stay on the books or should it be phased out?

Senator LONG. Some of the major companies, such as Atlantic Richfield, have indicated that as far as they are concerned they would be happy to be without the depletion allowance, that they feel that they ought to

have an increase in the price of oil to offset that. That would mean that the price of oil would have to go up by about $1.35 a barrel and that means that when you buy gasoline at the pump it would be passed on to you and you would pay somewhere between three and four cents a gallon more for the gasoline.

I don't want to raise the price of gasoline to the consumer by three cents a gallon. I don't want to raise the price of heating oil to a housewife by three cents a gallon. Therefore I don't favor raising the price of the product by that tax increase, which is an expense that will have to be passed on to the consumer. In addition to that, if you eliminate the depletion allowance everybody agrees that it is going to clobber the little independent producers who are providing the competitive element of that industry. About half of those people have been put out of business during the past 15 years. This would eliminate half of the remainder. They have about 10,000 of them, about 5,000 would be put out of business, according to their best estimates, and according to the estimates of the major companies. I don't think that is good for the country. Therefore I think it would be best that they be permitted to retain their depletion allowance.

Now there are a lot of economic factors that cause me to believe that if you look at the nature of that industry you are going to have to have something to permit people to save enough out of what they can make with the deposits they find in order to permit them to go out and find more oil, or in order for this industry to be as profitable as the others.

There is no doubt about it, if you let the price go high enough they can make it back. I would be curious to know who in this country wants the price of gasoline or the price of heating oil to go up about three or four cents a gallon. I know I don't.

Mr. ELLIS. Could we look at it from a different point of view and that is the foreign tax credit. As matters now stand, our U.S. oil companies are allowed to deduct from their taxable income on income earned abroad all taxes paid to foreign governments, which often reduces to zero the amount of tax they pay on their foreign income and this, together with the oil depletion allowance and other tax incentives, reduces the taxable income of the major oil companies to something less than ten percent, whereas many other American corporations pay close to 50 percent. Is this an abuse which should somehow be checked?

Senator LONG. It certainly is. I personally favor a complete repeal of the depletion allowance on foreign oil. I don't think that is doing us any good at all. It is making us more dependent on foreign oil and our purpose should be to be less dependent on a foreign oil which as you know is now the high priced oil. In addition to that we ought to amend the law to reduce the advantage of any tangible drilling cost for foreign oil. We also ought to amend the foreign tax credit so as to make all of this meaningful, because if you take those other things away and you don't touch the foreign tax credit, it still probably wouldn't amount to anything so you ought to amend all three of them, make them pay more taxes on the foreign oil but not the domestic oil, unless you want to raise the price of the product to the consumer.

Mr. SPIVAK. Senator, it is generally agreed that in the domestic social field the next major step by Congress will be some form of national health insurance. Your plan focuses in two specific areas on cost of very expensive illness and the medical problems of the poor.

Why do you assume that the private insurance industry is now doing an adequate job for the bulk of Americans?

Senator LONG. Understand what I am talking about. I propose that the government should have a health insurance program for catastrophic illnesses and that would be those where the people are in the hospital for more than 60 days or where their doctor's bill exceeds $2,000. Now, I would also propose that we take care of the low income people by paying all of their medical expenses, and if they are above that, there would be sort of a spin-down arrangement where, after they spent a certain amount of their income, to where they have spent themselves into the low income area, they would have that help available to them.

Eighty per cent of the people who have more than $5,000 of family income already have private insurance policies to cover some part of that first 60 days of hospital coverage.

I would like to upgrade the kind of coverage that they have. We have a third feature of our bill which would more or less place a government stamp of approval upon policies which have a high pay-out. In other words, give a high return related to the amount that you pay for it, to encourage people to take advantage of private insurance in the area where we think it ought to be optional, that you could insure yourself or you could take the chance.

Mr. SPIVAK. Whether your form of insurance, or the broader form offered by Kennedy and Mills, or the Administration, is adopted, what would prevent a fairly strong inflationary push being exerted as more federal funds are put into the marketplace?

Senator LONG. The program that I am advocating, according to news accounts that have appeared in the newspaper just over this weekend, I think correctly say that would not mean an increase in the cost because these long-term devastating sicknesses are being paid for anyway. This would just use the prepayment system rather than to do it by wiping out all of people's resources, and our program would only cost about 20 per cent of what these other programs would cost.

Now, if you are going to go for a 50 to 70 billion dollar health insurance program that the Kennedy-Mills bill would do or the Administration bill would do, in my judgment those bills would increase the cost of health care by fifty per cent overnight. It did that when we went to Medicare because it would completely overload the health delivery systems. It would overload the hospitals; it would overload the doctors' offices; it would overload the nursing facilities available and that runs up the price.

You may recall that when Medicare went into effect the first year the cost exceeded the estimate by more than 50 per cent and the reason it did was that it so overloaded the health delivery systems that it ran up all the prices, and that would happen if, overnight, you tried to increase government-paid health insurance and government-paid benefits by 50 or 70 billion dollars in a single year.

Mr. MEARS. Senator, back on taxes, Representative Mills of Arkansas says that he thinks the six to eight billion dollar tax decrease would do more to increase inflation than it would to ease the burden on low income taxpayers.

With that attitude held by the Chairman of the House Ways and Means Committee, do you think a tax cut is going to get through the House this year?

Senator LONG. I didn't say it was going to become law, Mr. Mears, I said it would pass the Senate. That is all I would propose being any expert on.

Mr. MEARS. So far you have forecast a filibuster in the Senate, the prospect of defeat in the House, a veto by the President which you couldn't override. What is the point in going through all this other than to show the taxpayers in an election year that you want to cut their taxes?

Senator LONG. At least it serves that purpose. Those who are for it can vote for it. I expect to vote for it.

Mr. MEARS. Senator, is Watergate hurting Republicans or is it hurting all incumbents? You are running for re-election this year.

Senator LONG. I don't think it is hurting all incumbents. I think it is a burden on the Republicans. It happened to them. I don't think anybody is going to blame the Democrats, that while we people were peacefully sleeping at home some Republican politicians arranged to have somebody break into the Democratic campaign headquarters. I just don't regard that as a problem of the Democrats.

It may hurt in some respects; people might think poorly of politicians, but the other fellow has to contend with the same thing. You are not going to have too many people run for public office who haven't run for something before and they have to share the same burden as all politicians.

Mr. LEVINE. On the subject of Watergate, Senator Long, do you believe that the President's trip to the Middle East and the enthusiastic receptions he has received will strengthen his hand with the Congress?

Senator LONG. It will help some. Not much.

Mr. LEVINE. The President's new economic adviser, Counselor for Economic Policy, Kenneth Rush, said this week that he would not appear before the Joint Economic Committee of Congress on the grounds of executive privilege, to fill the Congress in on economic policy. Do you feel that this is a justified stand?

Senator LONG. He is privileged to take that position if he wants to do so. It is my view that one who has a job of advising the President, what the President ought to do, is very reluctant to find himself testifying that he advised contrary to what the President is doing. That tends to make his boss look bad. He is privy to take the view if he wants to that if you want to know what the President thinks, ask him; if you want to know what I advised him, ask him, but he is entitled to have my advice without highlighting a difference of opinion between me and the President, and in that position if he wants to take that view, I think that is his privilege.

Mr. LEVINE. Some of your colleagues apparently feel otherwise. Senator Proxmire has threatened to take action to cut off Mr. Rush's salary. Do you think that would encounter much support in the Senate?

Senator LONG. I am not going to vote for it. I don't know how many votes he will get, but I think the President is entitled to have someone advise him about what he ought to do about public policy and that if he wants it that way, that that person shouldn't be required to tell anybody but the President what he thinks about it.

Now, Mr. Kissinger, you know, served up there for a long time in just exactly that kind of capacity and we had a lot of complaint by the Foreign Relations Committee and others that they couldn't find out what Mr. Kissinger was advising the President, but the President is entitled to have someone advise him on the basis that that advice won't be used against the President's interests; it will only be used to support his position and if he wants it that way he is entitled to have it that way.

Mr. ELLIS. Senator, you said we should be lessening our dependence on expensive foreign oil but Dr. John Sawhill, the Federal Energy Administrator, says that for the next three or four years, no matter what we do, we will be importing more and more Arab oil and that means primarily Saudi Arabian oil.

King Faisal has just said while President Nixon was in Saudi Arabia that there can be no real peace in the Middle East until Israel gives up all the 1967 territorial acquisitions including Jerusalem. This seems to put the United States squarely in the middle since

the United States is the only power able to persuade Israel. What would you do in this dilemma?

Senator LONG. Henry Kissinger is doing a wonderful job in trying to move us to peace in the Near East. What would I do? I would sign my name on a resolution expressing confidence in Henry Kissinger. I was the 51st name, that gives a majority in the Senate to express confidence in that man when he is accused of saying other than the truth before that Foreign Relations Committee.

We should move to develop our self-sufficiency as rapidly as we can and there are two ways you can do it. One is to conserve more, to make better use of what we have, and the other is to increase production.

I would do what I can with the tax laws and all the other laws to try to bring those two things about; to encourage production, and to find ways to encourage people, both to conserve energy and to position themselves so we can share what we have more evenly if we are confronted with the same type of boycott that we had last year.

Mr. LEVINE. A part of Dr. Kissinger's foreign policy of which you have just spoken apparently is to give to the Egyptians and also to the Israelis nuclear know-how and also nuclear fuel for peaceful purposes. Is this a wise step?

Senator LONG. We don't know enough about it yet to know whether it is a good idea. When we know a lot more details, we will be in position to judge. At the moment I would have to be opposed to it, but when we hear more about it, it might prove to be a good idea. It would have to depend upon what the details are.

Mr. SPIVAK. One brief question on health insurance. Do you believe the House and Senate can come to a meeting of minds so a measure can be passed either this year or early next year with the differences that exist?

Senator LONG. I certainly do. I made the statement that if the House will pass a health insurance bill of any sort, that that bill will not die in the Senate.

We will act on it; we will ask for a conference. As far as I am concerned, we will take the best that everybody has to offer and we will leave out those things that can't meet the approval of the majority of both houses.

Mr. SPIVAK. Let me ask you about another form of taxes which is coming home to the American public: The Social Security Payroll Tax. Your reform measure does give some aid to low incomes, but has the payroll tax deduction reached a political level where it is not going to be able to be increased for all Americans in your judgment?

Senator LONG. As more benefits are voted, the tax will necessarily be increased. It is projected to rise as more people retire and as the heavier burdens fall upon that fund. You know there are actuarial studies that will show if population trends continue as they are at this moment we will have to raise the tax anyway. So there will be problems about the taxes. We might want to consider at some future date raising money for that fund from some other source rather than just the Social Security Fund, but we don't have to do it yet.

Mr. SPIVAK. At what point would you have to face this—and you are talking about general revenues, I presume?

Senator LONG. I don't know when that point will come. I think any perceptive politician can tell it when the time has come and I don't think we are there yet.

Mr. NEWMAN. We have about three minutes left, gentleman.

Mr. MEARS. Senator, you talked about the possibility of an oil price increase. There remains in Congress an effort to bring about an oil price rollback, perhaps $3 a barrel. Wouldn't that do a lot more good for a lot more people than this tax cut that you have talked about?

Senator LONG. You can't make producers produce energy below their cost. That would be confiscatory and the Constitution won't let you do that. Now you can roll the price back to some extent on the old oil. If you do that, it is going to dry up a great deal of the funds that you need to produce more oil. Now I think the American people ought to know this. If you average in the natural gas that is being produced in this country and take the price that is being paid for it, with the oil that is being produced in this country, it averages out to about the equivalent of $4 a barrel—about $4 a barrel—for oil. Now that compares to $10 a barrel that you are paying for imported oil. The more you discourage this industry from producing your requirements, the more foreign oil you will have to buy at $10 and the less you are going to have available for you at a lower price. In the long run it is only by increasing our capacity to produce oil, coal, shale, gas, atomic power, and become as self-sufficient as we can in energy, that we are ever going to get that price down to where the American consumer can be properly protected.

Mr. MEARS. Would you be a participant in the Senate filibuster against the repeal of tax advantages for domestic oil corporations?

Senator LONG. I don't anticipate I will be participating in a filibuster. I would like to think I know enough about some of these things to express myself on the subject, Mr. Mears.

Mr. MEARS. At some length, I take it.

Senator LONG. Well, I don't propose to speak under a three minute rule until they impose it on us.

Mr. MEARS. You are a candidate this year. Disclosure of personal finances has become an issue in a great many campaigns. Do you have any plans to disclose your personal finances?

Senator LONG. So far as I know, about everything I have is generally known. I don't plan to disclose any more than I have. There are a lot of good people who know everything there is to be known about my business, but as far as making a public disclosure of everything that I own at the present time, I don't think I will do so.

Mr. MEARS. A great deal of what you own is in oil, is it not?

Senator LONG. I have inherited quite a bit that is oil royalties, yes.

Mr. NEWMAN. I am sorry to interrupt, gentlemen. Our time is up. Thank you, Senator Long, for being with us today on "Meet the Press."

Mr. ALLEN. Mr. President, I commend the distinguished Senator from Louisiana on his appearance on this program. He spoke with great knowledge and with great candor on this subject.

The distinguished Senator stated that, in his judgment, if the bill were able to come to a vote with amendments added, it would be passed by the Senate.

The question was raised as to the attitude of the distinguished Representative from Arkansas, Mr. MILLS, in the other body as to whether he thought that a bill could pass cutting individual taxes, inasmuch as Mr. MILLS seemed to be opposed to it.

Senator LONG's reply was that he thought it might run into difficulty but that, if passed by the House and the Senate, in his judgment the President would veto the bill, and that he did not feel that the veto would be overridden.

That being true, Mr. President, it would seem to the Senator from Alabama that this bill is heading down a dead end street, not going anywhere with these amendments added. It will go somewhere without the amendments and that is the way we have finally got to come to pass the bill: the clean bill that came out of the Ways and Means Committee of the House, that was passed in the House, that was reported, I assume with recommendations, of the Senate Finance Committee, and that is now pending on the Senate floor, without change.

Mr. President, inasmuch as on a similar bill the Senate spent 14 calendar days in debate in November and December of 1969, it spent 10 days in debate on H.R. 10947 in 1971, and it spent 8 days in debate on H.R. 17550, if this bill, as predicted by the distinguished Senator from Louisiana, is headed for a Presidential veto that we cannot override, what is the use of spending 10 days on the bill, other than to show our constituents that we are in favor of cutting taxes?

Of course we are in favor of cutting taxes, Mr. President. I suppose every one is in favor of that. But there have to be certain conditions added to it. If we cut taxes and cut income, we have got to cut outgo. That is pretty simple. And if we cut taxes, we have got to cut them in such a fashion that it will not hurt the economy, and there we need the recommendations of the appropriate committees.

We are traveling without a rudder, Mr. President. If we had some advice from the Finance Committee or the Ways and Means Committee, we might know better how to act on these amendments, but we are operating without a rudder.

They did not send out a package to us and all we have is the opportunity of voting on this multitude of amendments.

I believe we would be better off if we took action in some other areas, went ahead and passed this debt limit bill, sent it to the President, got it signed, and got it out of the way, and clear the decks. I commend the distinguished Senator from West Virginia, the distinguished majority leader, and the distinguished minority leader for the manner in which they have been clearing the Senate Calendar of needed legislation. I would hate to see the Senate spin its wheels for 10 days, considering up to 150 amendments, based on looking at the other bills that have been before the Senate, when we are heading for a dead end street in effect, as stated by the distinguished Senator from Louisiana (Mr. LONG) on the "Meet the Press" program yesterday afternoon.

The PRESIDING OFFICER (Mr. HELMS). The Chair would remind the Senator from Alabama that under the unanimous-consent agreement, the Senator from Colorado (Mr. HASKELL) was to be recognized at this time for 10 minutes.

Mr. ALLEN. Yes, and I would add to that request that upon resumption of my remarks after yielding to the distinguished Senator, it will not be considered as a second speech on the same subject.

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

Mr. ROBERT C. BYRD. Mr. President,

I ask unanimous consent that if there is to be a vote on the nomination of John C. Sawhill, of Maryland, to be Administrator of the Federal Energy Administration tomorrow, it occur at 2 p.m. This has been cleared with the minority side.

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

Mr. ROBERT C. BYRD subsequently said: Mr. President, I want to make sure that it is understood that if there is a vote on the Sawhill nomination tomorrow, even though the 40 minutes for debate will elapse at 12:40 p.m., if it is all consumed, such a rollcall vote, if ordered, will not occur until 2 p.m.

The PRESIDING OFFICER. That is the understanding of the Chair.

Mr. HASKELL. Mr. President, first, I should like to thank the distinguished Senator from Alabama (Mr. ALLEN) for yielding me these 10 minutes. Whether we get to the matter of a tax cut or of tax reform seems more problematic to me than it did a few hours ago. However, if we do get there, as I certainly hope we shall, I am very much pleased to see that the debate will focus on the necessity of an equivalent tax pickup to offset any tax cut.

As to the economy—and, admittedly, I am not an economist—from what I have studied, we have contradictory indicators as to whether we are headed for further runaway inflation or whether we are headed for a recession.

That being the case, it seems to me it would be taking a very unnecessary and unwarranted risk merely to have a tax cut much as I, too, hope to see such a cut. It was for that reason that on May 2 of this year, the distinguished Senator from Florida (Mr. CHILES) and I introduced amendment No. 1247 to H.R. 8217 which at that time was scheduled for floor action. But the distinguished Senator from Louisiana (Mr. LONG) pointed out there was no use debating tax reform twice, so for that reason H.R. 8217 was held back until such time as the Senate might dispose of the debt ceiling bill now before us.

Subsequently, the Senator from Florida (Mr. CHILES) and I reintroduced in the form of two separate amendments, Nos. 1434 and 1435, our original amendment and proposed that they be added to the debt ceiling bill. The principal objective of our amendments is to provide tax relief to most taxpayers, but to do so in concert with meaningful revenue-raising tax reform measures so that the tax cut would not cause yet further inflation.

The distinguished Senator from Massachusetts earlier described the amendment which he and others have proposed. His amendment would raise revenue, to be sure, but from slightly different sources than would mine. It would also provide a tax cut in a somewhat different fashion than the Senator from Florida and I have proposed for those hardest hit by inflation. I think probably all of us here would agree that the low-income and the middle-income people of the Nation suffer most seriously from inflation, and that it is these income groups most in need of tax relief. For this reason, Senator CHILES and I propose a mandatory $200 tax credit to replace the present $750 personal exemption. This would reduce the tax liability of nearly 90 percent of all taxpayers.

I would be much pleased to support the revenue-raising measures described by the Senator from Massachusetts earlier. I would point out that the repeal of ADR and the repeal of DISC are common to both our amendments. The principal difference in the revenue-raising features of our amendments is that I would like to see a repeal of the investment tax credit. But, be that as it may, I repeat, I am delighted to see that debate centers upon the balancing of revenue raising measures with revenue cuts.

There is one final but very important difference that I would like to point out to Senators who read the RECORD tomorrow: this difference relates to the way I would distribute the benefits of a tax cut. In the amendment which he and other Senators have proposed one might take either an $825 exemption, in the form of a deduction, or, instead, a $190 credit against one's tax. Additionally, of course, Senator KENNEDY's amendment includes the social security "work-bonus" credit originally proposed by the distinguished Senator from Louisiana, the chairman of the Finance Committee. I would merely submit to Senators that the maintenance of an exemption in the form of a deduction is not fully consistent with our goal of tax reform. A credit is of equal value to everyone who pays taxes. A deduction, on the other hand, which is the present scheme of the exemption is far more valuable to someone, say, earning $100,000 than it is to someone earning only $10,000.

For example, a man earning $100,000 would certainly elect to take the $825 exemption because he would save in taxes somewhere in the neighborhood of $577, whereas the man or woman earning $10,000 would undoubtedly elect to take the credit, which would be worth $190 as suggested by the Senator from Massachusetts, or $200 as suggested by the Senator from Florida (Mr. CHILES) and myself, because the deduction as applied to that tax bracket would be worth to them in taxes saved only in the neighborhood of $170.

I would respectfully submit that if we are going in the direction of tax reform and tax equity, it would probably be best, in the area of exemptions, to treat everyone equally.

I should like to add that, having reviewed the so-called work bonus social security tax rebate provisions of the amendment offered by Senator KENNEDY and having had a highly favorable reaction thereto, it is my intention to add these provisions to my proposal for a mandatory $200 personal tax credit. In this way, I hope to minimize the differences between my colleagues and me.

I say to the Senator from Alabama that I have not used my entire 10 minutes, and for that reason will yield back the floor to the Senator from Alabama. I thank the Senator from Alabama.

Mr. ALLEN. Mr. President, I thank the distinguished Senator from Colorado.

I might say that I look with favor on his approach to the exemption question, that is, allowing a definite and specific credit rather than a deduction, because that would mean more to the person of low or modest or middle income. I do believe, as we heard the Senator from Massachusetts discussing his amendment, there was an alternative, if I am not mistaken, which would result in a whole lot more revenue loss, because obviously the taxpayer in the higher brackets would opt to take the deduction rather than the credit.

I think the distinguished Senator from Colorado is on the right trail in providing for a definite credit. I believe it is $200. Is that not correct?

Mr. HASKELL. The Senator is correct.

Mr. BENNETT. Mr. President, if the Senator from Alabama will yield, it would be interesting for the RECORD at this point to note that if we stayed with the deduction, the revenue loss would be nearly $3 billion; and if we went the other way it would be double, $5.9 billion. So this is a pretty hefty change. I think the RECORD should show that to allow that choice and to allow a tax credit would approximately double the effect of the increase in the exemption alone.

Mr. HASKELL. Mr. President, will the Senator from Alabama allow me to ask the Senator from Utah to repeat that?

Mr. ALLEN. He stated that often the alternative would double the $3 billion loss for which the Senator's amendment would provide. If they had the best of both worlds, it would be a $6 billion loss. If they went the Senator's route alone, it would be a $3 billion loss.

Mr. BENNETT. If this were simply an increase in everybody's exemption to $825, it would be a $3 billion loss. Because the people are given a choice—and as the Senator from Colorado pointed out, those in the lower brackets would choose the tax credit and the others would choose the exemption—by having that choice, we increase the loss from $3 billion to $5.9 billion, which is approximately double.

Mr. ALLEN. The Senator from Colorado does not have the option. Under the amendment of the Senator from Massachusetts, I believe the option is provided.

Mr. HASKELL. Mr. President, will the Senator allow me 30 seconds to make a comment?

Mr. ALLEN. Provided I do not lose my right to the floor and provided the resumption of my speech is not considered a second speech.

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

Mr. HASKELL. I thank the Senator.

I merely say to the Senator from Utah that it is my understanding that my $200 credit would result in a revenue loss of $4.4 billion. It is my further understanding that by allowing an alternative exemption which the high-bracket people would take, it would result in an additional revenue loss of somewhere in the neighborhood of $1.6 billion. I might want to correct myself on those figures, but that is my understanding.

I thank the Senator from Alabama.

Mr. BENNETT. Mr. President, may I respond to that, under the circumstances that the Senator has indicated?

Mr. ALLEN. If I do not lose my right to the floor, and if the resumption of my speech is not considered a second speech.

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

Mr. BENNETT. The Kennedy amendment, which has the alternative, represents a loss of $5.9 billion. It is the understanding of the Senator from Utah that if there is no alternative, and we deal only with an increase in the exemption, the difference is $3 billion.

If we add the alternate opportunity to have a choice between that and the credit, we add $2.9 billion more. These are the figures that have been given to me by the Joint Tax Committee staff.

Mr. ROBERT C. BYRD. Mr. President, will the distinguished Senator yield to me for a unanimous-consent request that has nothing to do with the pending business, with the understanding he will not lose his right to the floor?

Mr. ALLEN. I yield.

SETTLEMENT OF CERTAIN DAMAGE CLAIMS—UNANIMOUS CONSENT AGREEMENT

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that at such time as Calendar No. 839, S. 2201, a bill to provide for the settlement of damage claims arising out of certain actions by the United States in opening certain spillways to avoid flooding populated areas, is called up and made the pending business before the Senate, there be a limitation of 30 minutes thereon, to be equally divided between Mr. JOHNSTON and the Republican leader or his designees; that there be a limitation of 20 minutes on any amendment thereto; that there be a limitation of 10 minutes on any debatable motion or appeal; and that the agreement be in the usual form.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

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 report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 14354) to amend the National School Lunch Act to authorize the use of certain funds to purchase agricultural commodities for distribution to schools, and for other purposes.

TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

The Senate continued with the consideration of the bill (H.R. 14832) to provide for a temporary increase in the public debt limit.

Mr. ALLEN. Mr. President, I am very much impressed with the comments of the distinguished Senator from Colorado and the distinguished Senator from Utah with respect to the amendment having to do with the personal exemption, as to whether that should be treated and a figure set for a credit against taxes as provided by the amendment of the Senator from Colorado, or as provided, I believe, by the amendment of the distinguished Senator from Massachusetts (Mr. KENNEDY), which provided for a $75 increase, I believe, in the deduction—that is, to $825—or a $190 credit against taxes at the option of the taxpayer.

Obviously, the Kennedy amendment would be much more costly to the Treasury than would the amendment of the distinguished Senator from Colorado (Mr. HASKELL). If we ever get to that point, I would certainly be in favor of the Haskell amendment, because I feel that that is the sounder approach of the two.

One thing occurs to me, Mr. President, with regard to making up the loss occasioned by this one income tax deduction. Certain amendments are being offered by the distingiushed Senator from Massachusetts and those associated with him on these amendments, but what assurance is there that these amendments will be adopted?

We first lose the $6-odd billion in revenue to the Treasury, resulting in a $6 billion additional deficit, and then there is no assurance whatsoever that the loophole amendments will be adopted and that they will run the gamut of consideration in the House as well.

We would certainly lose the $6-odd billion, increase the deficit that much, increase the inflation that much, for this $75 added deduction as provided in the Kennedy amendment, or $190 credit, I believe.

Whatever benefit the taxpayers would receive by this little tax reduction, it would be more than offset by the increase in the rate of inflation.

Mr. President, in the first place, there is no plan, nothing in the offing, so far as the Senator from Alabama can see, for cutting Federal expenditures. Adding taxes and closing loopholes is not the only way of making income and outgo come closer together.

We have two ways of doing it: one is to cut Federal expenses, and nobody talks about that. The other is to levy more taxes, or, to State it another way, to close loopholes.

But when we start legislating on the floor, we do not know where that is going to end. When the distinguished Senator from Massachusetts was talking about the minimum tax being a source of loopholes, I called attention to the fact that, yes, that was legislated on the Senate floor.

Of course, it is dangerous to legislate concerning billions of dollars in tax planning without some advice from the committee, without some balance between the various proposals so it will not be a just case of cutting taxes, but providing for filling up that revenue loss, because it is going to be a whole lot easier as those amendments start nitting the desk to vote for tax reductions than it is for tax raises. So we are going to see the $6 billion increased exemption measure passed.

If the distinguished Senator from Massachusetts were to have his amendment adopted, some other Senator would say, "Gee, I have to put in an amendment, too. I have to lower the tax burdens of the people. I have to make some hay, too." So in would come an amendment chopping another $5 billion off of the Federal treasury income. That would go on and on, ad infinitum. No one would be interested in balancing the income against the outgo, the reduction in revenue with the additions to revenue. By the time we got through with this bill, it would, in fact, be a Chtristmas tree bill.

The distinguished Senator from Louisiana said it is not Christmas and, therefore, could not be a Christmas tree bill. Well, it would be a Fourth of July bill, passed in the form of a Christmas tree. That is what we would have because there would be something in it for everybody; something in it for all of our constituents so that in this political year we can all claim a little bit of credit for reducing taxes, not taking into account, however, the acceleration of the rate of inflation that would result.

That is something on which the Committee on Finance could advise us. They come out with a package cutting taxes, replacing the revenue loss here, and presenting a balanced budget. That is where we would miss the advice of the Committee on Finance and the Ways and Means Committee. That would be an omission that would be filled if we waited for the tax bill itself, which the House committee is in the process of marking up at this time.

Mr. President, we should not be spendin the next 10 days, as now seems likely, discussing this bill, which is not going anywhere in its anticipated form. It could go somewhere in its present form.

As I stated earlier today, I am perfectly willing to allow the bill to go to third reading, withdraw the pending amendment, and send the bill to the President. It would not have to go back to the House. I believe we are heading for that. I hope we will not spend 10 days spinning our wheels in the Senate when there is legislation that needs to be enacted, when we hear so much talk about the need for the Senate to clear the calendar and clear the decks. We are told that important things are coming up in the Senate. We are told that it is incumbent upon the Senate to clear the decks. If it is necessary that we clear the decks, we should not be spinning our wheels for the next 10 legislative days.

I am not just drawing 10 days out of the air when I mention that prospect. As I pointed out earlier, for the benefit of Senators who were not here, in the 91st Congress we spent 14 calendar days on the income tax reform measure pending in the Senate. There were 160 printed amendments at that time. From the statements we have had on the floor I would anticipate that we are likely to have an equal number of amendments to this bill. Once an amendment is adopted another amendment would be thought of.

As an example of that, in the 92d Congress, the Revenue Act of 1971 took 10 legislative days. There were 150 printed amendments, the committee amendments were adopted en bloc; 71 amend-

ments were adopted, of which 27 were floor amendments, just written out on the floor and handed in. They were not printed amendments; 21 amendments were rejected, of which 17 were floor amendments.

I am for tax reform at the proper time, under the proper circumstances, with the proper legislative vehicle, but I anticipate that an equal number of amendments will be offered to this bill, and that will have us locked up in the Senate considering those amendments for some 10 to 14 legislative days. That is not a pleasant prospect.

What is the alternative? Pass this bill. It has to be passed by the first of July. That is the first thing. Second, wait for a tax measure from the House of Representatives where all these factors, all these considerations, all these matters having to do with the economy, all of the matters having to do with inflation, all matters having to do with the closing of loopholes, lowering burdens here, raising them there, can be made part of the bill. Wait for a bill where the various factors have been weighed and committees can go to the respective bodies and say, "Here is a bill that has had close and careful consideration in our committee. Our committee has the responsibility for this measure. We vouch for this bill. It is a bill that will not hurt the economy; it is a bill that will not fuel the fires of inflation; it is a bill we are willing to recommend to you."

We could dispose of a bill of that sort before the Senate in very short order because Members of the Senate, and a majority of Senators have sound views with regard to taxation and the economy, would have something to point to. It could be said, "This is as far as we can go according to the Committee on Finance; this is as far as we can go according to the Ways and Means Committee." We would have something to point to and not be required to stand here and talk against tax reduction, which we are all for.

I do not suppose that there is a Senator who is not in favor of tax reduction. We are all for it. But it needs to come along with a reduction in Federal expenditures. It needs to come at a time when it will not fuel the fires of inflation. It needs to come accompanied by measures providing for additional revenue to replace the loss of revenue.

Under those circumstances, I assume that every Senator would be for a tax reduction. They are trying to get there by going through the back door, when they ought to be going in the front door. I think tax reduction is such an important, such a necessary step, that it ought to be obtained through following the duly and regularly constituted committees and the duly and regularly defined processes as provided by the Constitution.

Mr. President, on this 17th day of June, this measure, if no resistance is made to amendments, even with an agreed-to limitation, could be debated for 12 or 14 days; and I feel sure that the House of Representatives, having sent us a 12-line bill, is not going to be elated when we send back a bill with dozens of amendments attached.

Is not this kind of reversing the order by which the Constitution says revenue measures shall be enacted, when it says they shall originate in the House of Representatives and that the Senate has the right to add amendments thereto?

Mr. President, this is not a revenue bill. H.R. 14832 does not have anything to do with levying taxes or providing for the revenues of the Government. So if we are going to have a bill, let us not go in the back door. Let us not add it as an amendment to a bill which is necessary in order to keep the Government running.

So if we spend 10 to 14 days on this bill, and it is sent back to the House, they have several alternatives, any one of which would take time. Among the alternatives they have, as pointed out by the distinguished Senator from Louisiana this morning, this bill could be sent to the Ways and Means Committee within the House. It could be sent to another committee. It could be sent to conference. But the House has not had an opportunity to study all of these amendments, whether they be 40, 50, 60, or 100, and why force them? There is as much pressure on the House as there is on the President—every bit as much. It is holding a gun on the House and saying, "Here is what we have done. Take it or amend it, but let us get it enacted before the first of the month."

If the Senate spends 10 days on amendments, how can we expect the House to consider the matter in less than an equal amount of time? That runs us well past the expiration of the time authorization for the temporary debt ceiling.

So, Mr. President, this is not a practical approach, coming here in the last days of this authorization, setting the stage for scores of amendments, the Senate to act without advice or recommendation from the Finance Committee, without advice or recommendation from the House Ways and Means Committee. Why should the Senate be deprived of the knowledge and expertise that the members of those two committees have?

The best brains of the House in the field of taxation and revenue are found on the Ways and Means Committee. The greatest ability in the Senate in the area of taxation and revenue is found in the Senate Finance Committee. Why can we not have the benefit of their views, Mr. President?

I do not believe we are getting the full benefit of the views of these committees, because, as these amendments come on the floor, we are not going to have any recommendation of the committee. We might have the personal views of the distinguished chairman, the personal views of the distinguished ranking minority member, but we are not going to have the views of the committee as such, and I believe that is depriving the Senate of information and recommendation that we need to have.

Mr. CLARK. Mr. President, during the debate this week on the debt ceiling bill, a number of Senators will propose the adoption of a five-part tax reform/tax cut package. This package is contained in amendment No. 1443 introduced by Senator HUMPHREY with the cosponsorship of Senators BAYH, CANNON, HART, KENNEDY, MONDALE, MUSKIE, NELSON, and myself.

Part II of the amendment would raise $815 million in 1974 by repealing DISC provisions which now allow the indefinite deferral of one-half of the tax on corporate export operations. The evidence now available to Congress does not demonstrate that the American people received any commensurate benefit from DISC in exchange for the extravagant tax breaks it provides to large corporations.

Together with Senator MUSKIE and others, I expect to develop fully the argument for repeal of DISC when amendment No. 1443 is debated on the Senate floor. But in preparation for the debate, I commend to my colleagues two recent evaluations of the proposal: an editorial in the New York Times on April 19, 1974, and an article in this Sunday's Washington Post, by Prof. Stanley Surrey of the Harvard Law School. I ask unanimous consent that these articles, together with a fact sheet on DISC, be printed in the RECORD.

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

[From the New York Times, April 19, 1974]

SLIPPED DISC

The tax bill passed by Congress in 1971 provided by a tax device known as the Domestic International Sales Corporation (or DISC) aimed at spurring exports. Any American company selling some of its products abroad could set up a DISC, export through it and defer indefinitely the taxes on half of its export-related profits.

Even before the DISC tax gimmick was enacted, critics warned that it would be expensive and wasteful. But reality has exceeded expectations, as a United States Treasury report disclosed this week. The Treasury had predicted in 1971 that the tax subsidies would result in a revenue loss of $100 million, but the actual revenue loss in 1972 turned out to be $250 million.

Losses to the Treasury for subsequent years will certainly prove to be a great deal more, as word of this tax gimmick has spread through the business community. There are more than twice as many DISC's now as there were in 1972.

It is impossible to say how much the DISC tax gimmick did to boost exports because of the complexities of separating its effect from that of such export stimulants as the devaluation of the United States dollar, the booming demand abroad for American farm products and other goods, the massively subsidized wheat deal with the Soviet Union and the greater probability of exports. But what can be said firmly is that whatever extra push to exports the DISC tax deferrals have been providing makes not sense in a world of flexible exchange rates and severe inflation. DISC worsens the inflationary pressures here at home by reducing supplies and draining off needed tax revenues.

Congress would be wise to repeal DISC and put an end to these wrongheaded export subsidies. Meanwhile, the Administration can suspend DISC, which the 1971 legislation empowers it to do.

[From the Washington Post, June 16, 1974]

DISC REPEAL CALLED NEEDED TAX REFORM

(By Stanley S. Surrey)

Repeal of the Domestic International Sales Corp. export subsidy provisions would be an income tax reform of high priority. Repeal would prevent an annual revenue loss that will be close to $1 billion by 1975. It could be simply achieved—clean-cut elimination of the provisions is all that is needed. Repeal would not affect our export trade. And finally, repeal would remove from the statute a tax atrocity that was a mistake from the very start.

DISC was adopted in 1971, at the insistent urging of the Treasury Department, as a tax subsidy incentive to exporters. That department, spurred by statements from the Commerce Department and others that the Treasury was doing nothing to improve our export position, had desperately looked about for some subsidy device and in 1970 had come up with DISC.

But then came the new monetary policy of 1971 and the first devaluation of the dollar, making any search for artificial export incentives beside the point. Yet the Treasury clung to its anachronistic idea of a DISC tax incentive and pushed it before the Congress late in 1971. A reluctant Congress adopted only half of the DISC proposal.

As enacted, DISC allowed a new type of export subsidiary corporation to be formed, half of whose income from export activities would be relieved from current income taxation:

Most companies initially thought of DISC presumably as a complex device requiring adoption of a new method of conducting export operations, which would necessitate restructuring their present organizations and procedures.

They soon learned that DISC is purely a paper procedure requiring no real change in port operations. All that is needed is creation of a new subsidiary. This new corporation need not have any employees, any operating activities, any substance whatever. A DISC requires only $2,500 of capital and a separate bank account. With that, a manufacturer can have its accountants start the paper work that immediately reduces its income tax by eliminating from taxable income one-half of the DISC's share of the profits attributable to the export sales of the manufacturer.

Once manufacturers with export sales caught on to the idea that DISC was a tax reduction gift with no needed change in their operations, they were eager to accept the DISC bounty. Thus, there were 1,000 DISCs by March 1972, some 3,439 at the end of 1972 and more than 5,000 by February 1974.

The repeal of DISC would involve no interruption of or effect on export activities. Instead, the tax-reduction paper work that DISC brought about simply would end. Unlike some other tax reform situations, repeal is not in any way hampered by claims to equities based on actions not quickly reversible.

The real facts must be kept squarely in mind. DISC was deliberately planned by the Treasury as a paper device—as an elaborate file drawer—as a schedule on a tax return.

But this paper device meant a revenue loss of $250 million for 1972 and an estimated loss of $500 million in 1973. By 1975, the loss is estimated to be $920 million. We are thus talking about a device that will soon be costing the government more than $1 billion a year. Who receives these benefits? Treasury data show:

Twenty-two per cent of the untaxed DISC export income was earned by eight firms in 1972.

More than 90 per cent of the DISC receipts go to parent corporations whose asset size places them in the top 1 per cent of U.S. corporations.

DISC is thus a windfall handed over to our largest corporations. Our largest corporations are our largest exporters and DISC simply reduces the current tax on export activity. A Treasury official was recently quoted to the effect that DISC has not significantly helped to add new exporters to the roster of existing ones.

There is a reason for most small firms to stay clear of DISC. While a DISC is a paper corporation, the paper work can be immense. The DISC statutory provisions and accompanying Treasury regulations are a monstrous technical morass. DISC rules are replete with percentage tests, special pricing rules, special computations—all a technical paper wonderland.

For the big companies, elaborate attention to the paper work can enlarge the DISC payoff. The special pricing rules a DISC enjoys are an elaborate facade, for they allow a DISC to claim as its profit—for doing nothing whatsoever—50 per cent of the difference between the costs of the export product and its final sales price, in complete disregard of the arms-length pricing rules developed by the IRS and the courts.

In retrospect, it is remarkable—and saddening—how little the Treasury and the Congress that relied on it knew about his paper device it was fashioning. The Treasury estimated the first year's revenue loss to be $100 million—it turned out to be $250 million. The second year's loss was said to be $170 million—it is now estimated at $500 million.

The Treasury now says the reason for the difference is that the rate of return on export sales is about twice as great as the Treasury expected—it is 15 per cent as against the expected 8 per cent, which is the average for domestic sales. This one fact alone shows how little analysis was really made of the situation—and it also raises the question of why the most profitable part of a manufacturing and selling operation must be subsidized.

Congress was also told that the tax on the DISC untaxed income would only be deferred, so that some day it would be paid. But Congress was not told that the deferral could be lengthy and that the present value of such deferral often would be worth about as much as current exemption.

DISC is thus built on paper and myths.

There is the myth that a DISC is an aggressively exporting organization, when in reality it is only a paper company.

There is the myth that the tax benefit of DISC is "only deferral" so that not much is involved, when in reality the deferral is so long delayed it can become the equivalent of exemption.

There is the myth that DISC-benefitted income must be invested in "export-related assets," when in reality that is but a drafting term that can cover any assets of the parent.

There is the myth that the DISC benefited income cannot be used by the parent for manufacturing activities abroad, when in reality a properly guided parent can use those funds to build a plant abroad.

The ultimate question remains to be asked—of what benefit is the DISC provision to the United States? We know about the windfall to exporters—more than three times as large as the Treasury estimated—and we know that the only operational price paid by exporters for this windfall is that of paying accountants and lawyers to handle the work that keeps this intricate paper-consuming machine properly nourished. But do we as a nation gain anything?

The answer is no. The Treasury in its first report on DISC could come up with no solid evidence that our export position had at all been improved because of the presence of DISC. Our exports have indeed increased—from $48.8 billion in 1972 to $70.3 billion in 1973. But behind this increase are such major developments as two devaluations of the dollar, a new monetary system, a worldwide inflation and a worldwide food shortage leading to a huge increase in agricultural exports.

Exporters who benefit from the policy changes should not also be handed a tax reduction windfall through DISC—a windfall that increases automatically as exporters reap the benefits of these and other policy changes.

So the time has come for Congress to set the match to this huge paper monument of DISC and to end the wasteful revenue loss—a loss that it never anticipated would reach the $1 billion figure that is now projected. A quick repeal of DISC is the only sensible response to this absurd tax situation.

FACT SHEET ON REPEAL OF DISC BENEFITS

(Part II of Amdt. 1443 to H.R. 14832, Debt Ceiling Bill)

Part II of Amendment No. 1443 would repeal DISC, and recover $815 million in lost revenue in calendar year 1974. Under DISC, specially organized export corporations can defer indefinitely the tax on one-half of their income. Recent reports indicate that most of this lost revenue constitutes tax breaks for large, profitable exporting corporations—and that there is no evidence that DISC provisions are serving their intended purpose of stimulating extra exports.

HOW DISC PROVISIONS WORK

Under existing law, a corporation may elect to be a DISC (a Domestic International Sales Corporation) if at least 95% of its gross receipts, and at least 95% of its assets, are export-related. DISCs are completely free from normal income taxes. Shareholders, however, are taxable on one-half of the DISC's income each year, or the amount distributed as dividends, whichever is greater. Thus, DISCs in effect allow indefinite tax deferral on one-half of export income.

In practice, DISCs are most often paper corporations established by other large corporations merely for the purpose of receiving tax benefits for exports. A DISC need not satisfy normal requirements of corporate capitalization, but need have only $2500 in assets. In 1972, 22% of the income received by all DISCs was earned by eight DISCs with gross receipts over $100 million, and over 80% of the 2,249 DISCs were owned by corporations with assets of over $100 million. These large corporations can channel their exports, on either a sale or commission basis, through DISCs they have created, and thus received substantial tax benefits.

REVENUE GAIN FROM TERMINATION OF DISC BENEFITS

The estimated revenue loss from DISC was $250 million in 1972, $500 million in 1973, and will reach $740 million in 1974 and $920 million in 1975. The revenue loss has been much higher than Congress expected when it enacted DISC in 1971—at that time, DISC was predicted to cost only $100 million in 1972 and $170 million in 1973.

Terminating DISC benefits under our amendment would gain an estimated $851 million in 1974—$740 million from revenue which would otherwise be lost in 1974, and $75 million from the estimated tax revenue which would be payable in 1974 on DISC income deferred in prior years.

DISC PROVISIONS HAVE HAD NO DEMONSTRABLE EFFECT ON INCREASING OUR EXPORT TRADE

The U.S. in 1973 enjoyed a $700 million trade surplus, with an unprecedented $70 billion in exports. The trade surplus has concurred in 1974. But when the DISC provisions were originally enacted in 1971, the nation was facing a serious balance of payments deficit, including for the first time in recent years a deficit in trade of goods and services. According to the International Economic Report of the President, the turnaround in the U.S. trade balance was caused primarily by increased world-wide demand for our agricultural and manufactured ex-

ports, and the 15% devaluation of the dollar since 1971. During 1971 and the first half of 1972 our demand for foreign products was strong, and economic slowdowns abroad reduced demand for our exports, producing a negative trade balance. Since then, however, export demand has increased, the prices of our exports have become more competitive, and higher relative prices abroad have reduced our demand for imports.

There is no evidence that any part of this trade turn-around is due to the tax benefits provided under DISC. In fact, the GAO has reported that DISC "is not considered to have had much influence toward increasing U.S. exports to date. Neither has it resulted in exports lowering their prices to meet competition." And a recent Treasury Department report gives no solid evidence that the tax subsidy under DISC is having an effect on our exports or balance of trade. Although the Treasury analysis, which covers data from calendar year 1972, shows that selected firms utilizing DISCs increased their exports 14.1%, slightly more than the total U.S. export growth by 12.4% in that year, the Treasury makes no claim that these figures are statistically significant and admits that their conclusion is "highly tentative."

The Treasury Report did show, however, that exporters using DISCs have about twice the normal industry profit rate: 15% compared with the normal 8% rate of return for those industries in which DISCs predominate.

EFFECTIVE DATE

Our amendment would make DISC benefits unavailable for any taxable year beginning after December 31, 1973. Since DISCs are largely an accounting device, utilized by corporations at the end of their taxable years when export receipts, assets, and income are accounted for, terminating the DISC provisions as of this tax year would work no unfairness. Taxes on income previously deferred would be payable in equal assessments over ten years.

IMPROVING OUR TAX SYSTEM

Mr. RIBICOFF. Mr. President, last week the Senate Finance Committee reported out a bill, H.R. 14832, with the expectation that the Senate as a whole should have the opportunity to consider the issue of tax reform.

I hope the Senate will enact measures which relieve the tax burden on individual taxpayers and their families and at the same time assure that all sectors of our economy pay their fair share of taxes.

I would like to discuss some of the measures I believe should go into a tax reform package.

1. TAX CUT AMENDMENT

It is time to relieve some of the tax burdens which the working men and women of this country bear. I strongly support the proposal to raise the personal exemption for individuals in the Federal income tax from its current level of $1,750 to a new level of $825. This proposal would also allow the taxpayer of taking a $190 credit in lieu of the exemption.

The purpose of this proposal is twofold. First it will help offset the increase in the cost of living caused by inflation. And second it will provide a $5.9 billion fiscal stimulus to help pull the economy out of its sluggish period.

The purchasing power of the consumer has been seriously eroded by the high rate of inflation—10.8 percent in the first quarter of 1974. A tax cut will help restore some of this purchasing power. In addition the use of a fiscal stimulus is the most widely accepted means of dealing with economic downturns and I am hopeful that, like the tax cut of the early 1960's, this cut will help us turn the corner on our economic problems.

2. TUITION TAX CREDIT

The galloping rate of inflation affects every segment of our economy. College, vocational, technical, business and graduate school costs are going up rapidly—5 percent in the last year alone. My tuition tax credit proposal—which has passed the Senate on three previous occasions but has never been considered by the House—would help most American families meet the cost of education by providing a tax credit of up to $325 for a portion of the costs of post-high school education.

Such an amendment will allow thousands of American families and students to meet rising education costs.

3. REPEAL OF OIL DEPLETION ALLOWANCE

Senator MAGNUSON and I have introduced legislation to repeal the costly and wasteful oil depletion allowance effective January 1, 1974. We have watched oil prices skyrocket in the last year. At the same time oil company profits have soared—as high as 817 percent in the case of one company. Others show more "modest" profits ranging upwards from 75 percent over the previous time period of last year.

The depletion allowance serves no useful purpose. First, repeal will not affect exploratory activity. Profit levels without depletion are high enough to attract the capital necessary to fully utilize available exploration resources.

In fact, profit levels without depletion will still leave $7 billion as after-tax profits in 1974. This is an increase of $3 billion over 1973 profits with the depletion allowance.

The oil depletion allowance costs the taxpayers almost $2 billion a year and, rather than encouraging exploration, actually discourages it since the oil depletion allowance subsidy goes only to existing oil-producing wells. Furthermore, the oil tax bonanza discourages investment in alternative energy technologies since the oil subsidy is a more lucrative lure.

4. STRENGTHENING THE MINIMUM TAX

In 1969 Congress enacted a provision to assure that no one can completely evade all tax liability by use of deductions. Each year there are taxpayers who have substantial income which is not included in their regular tax base because of income exclusions thought to be justified for social or economic reasons. While Congress continued to recognize a need for these exclusions, we also recognized a basic inequity in permitting a relatively few wealthy taxpayers to escape liability by investing their resources solely in tax-free income-producing assets.

But the means chosen to close that loophole had its problems and, instead of resulting in a minimum statutory tax rate of 10 percent, the effective rate turned out to be only 4 percent.

The amendment I support modifies the two deductions primarily responsible for the failure of the minimum tax concept; first the automatic $30,000 exclusion and second, the deduction for all other income tax paid.

Our amendment would reduce the $30,000 exclusion to $10,000. This would subject substantial amounts of income to the minimum tax which are now tax-free and, at the same time, avoid any deleterious impact on low- and middle-income taxpayers with modest tax preference income such as capital gain in the sale of their home. We would also eliminate the allowance for the deduction of other taxes paid. To allow taxpayers with large amounts of preference income a credit for the relatively low tax that he does pay on nonpreference income defeats the very purpose of the minimum tax.

5. REPEAL OF DOMESTIC INTERNATIONAL SALES CORPORATION

In 1971 Congress enacted the Domestic International Sales Corporation—DISC—tax provision to encourage exports and help correct our trade balance. Over the past 3 years it is clear that the DISC provision has not worked well.

The provision, which allows corporations to defer a portion of their income derived from exports simply by setting up a paper DISC corporation, has done little in encouraging exports.

DISC is used almost entirely by the very largest corporations as a tax avoidance device. More than 90 percent of the DISC receipts go to parent corporations whose asset size places them in the top 1 percent of U.S. corporations.

DISC's cost to the Treasury was estimated to be $100 million in its first year. In reality it cost 2½ times as much—$250 million. The second year's loss was said to be $170 million. It is now estimated at $500 million.

Our exports have risen recently but behind the increases are such developments as two devaluations of the dollar, a new monetary system, a worldwide inflation and a worldwide food shortage leading to a large increase in agricultural exports. DISC has not been the cause. It is time to repeal the DISC provision and save the taxpayer hundreds of millions of dollars.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield for a unanimous-consent request, with the understanding that he will not lose his right to the floor and that it not be counted as a second speech against the bill?

Mr. ALLEN. I yield with that understanding.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that Mr. BUCKLEY be permitted to include a statement in the RECORD just prior to the passage of S. 2201 at such time as that bill is called up and passed by the Senate.

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

ORDER FOR RECOGNITION OF SENATOR BROCK ON WEDNESDAY

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that Mr. BROCK be recognized for 15 minutes on Wednes-

day, after the order for the recognition of Mr. PROXMIRE.

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

TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

The Senate continued with the consideration of the bill (H.R. 14832) to provide for a temporary increase in the public debt limit.

Mr. FANNIN. Mr. President, will the Senator from Alabama yield me 10 minutes, without losing his right to the floor?

Mr. ALLEN. Mr. President, I ask unanimous consent that I may yield to the distinguished Senator from Arizona for not to exceed 15 minutes, provided that I shall not lose my right to the floor and provided that my resumption of my remarks shall not be considered as a second speech, but first, before doing so, may I ask if the unanimous consent was given?

The PRESIDING OFFICER. Not yet. Without objection, it is so ordered.

Mr. ALLEN. Mr. President, before I yield to the Senator from Arizona, I would like to make a motion, if I may.

I move that the bill and the pending amendment be postponed until the next legislative day.

Mr. FANNIN. Mr. President, will the Senator permit a unanimous-consent in addition to the request I made previously, without his losing his right to the floor and without its being counted as a second speech against him?

Mr. ALLEN. I yield.

Mr. FANNIN. Mr. President, I ask unanimous consent that Mr. George Pritts, of my staff, be given floor privileges during the discussion of the pending legislation and during the voting thereon.

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

SEVEN STEPS TO ECONOMIC DISASTER

Mr. FANNIN. Mr. President, I wish to commend the distinguished Senator from Alabama for the forthright way in which he has presented the problems that would accrue if we permitted amendments to this debt limitation legislation.

During the discussion of H.R. 14832, a bill to provide for a temporary increase in the public debt limitation, I understand a number of so-called tax reform amendments have been printed. After hearing them mentioned, I will say they are seven steps to economic disaster.

Mr. President, the finance committee recently held hearings on various tax increase proposals. On March 19 and 20 of this year the committee conducted hearings on various tax decrease proposals.

Without further explanation it appears that the finance committee is moving simultaneously in opposite directions—both of them wrong—to devise a tax policy to cope with our inflation-ridden economy. To move toward a tax cut would only serve to intensify the inflation problem and to move toward a tax increase by further taxing business income would hurt productivity, increase unemployment, and send this country into a deeper economic decline. The combination of the two would result in economic disaster for this country. Yet, Mr. President, this is precisely what is being proposed by those Members of Congress who view the tax structure as a vehicle for the redistribution of wealth.

This being our election year, we have heard the predictable cries for a tax cut. When the economists of this Nation were informed of the proposed political solution to our pressing economic problems, the majority predictably responded that it was the wrong solution for an inflationary economy; that a fiscal stimulus would only serve to intensify the inflation problem.

They further informed us that even if tax reduction were appropriate, it would come too late and have little effect this year. But it would have a substantial inflationary impact during the economic recovery in 1975.

Mr. President, we are all hoping for and looking forward to the possibility of this economic recovery in 1975, and there are great predictions in that regard. This would offset the possibility of that taking place.

Mr. President, this informed and highly qualified advice did not deter the alleged reformers. They merely shifted to a position which would compound their initial error. This combined action would increase the rate of inflation and set the stage for further economic slowdown, the worst of all possible economic alternatives.

The results of the U.S. economic performance for the first quarter of 1974 show that there was a drop in real national product at a 6.3 percent annual rate; and unemployment was about 5 percent.

This would indicate, Mr. President, that we are not in an income recession characterized by lack of aggregate demand and remedied by a tax cut or increase in Federal expenditures. In fact, it is just the opposite. This solution was designed to apply in an economy of excess capacity and lack of demand.

We are faced today with a worldwide shortage of supply in many commodities resulting in historic high prices around the world. The growth of per capita income is causing further demand which cannot be met. Until productivity and technology adjust for the shortages, there will not be an increase in real income.

Mr. President, the ill-conceived proposals to offset revenue loss through a tax cut for individuals include the following:

A phaseout of the 7-percent investment credit for all property costing more than $100,000;

Elimination of the more rapid depreciation permitted under the asset depreciation range—ADR—system;

A limitation on the use of the foreign tax credit;

An elimination of the DISC program;

A repeal of percentage depletion allowances for oil and gas production;

Greatly increase the burden of the minimum income tax.

Mr. President, these six proposals combined with a tax cut for individuals would constitute seven steps to economic disaster, as I said earlier, our people must have products and they must have jobs. It is business and industry that must provide the productive machinery and the employment, unless there is some incentive, our system simply will not respond. Unemployment will increase and shortages will increase and, Mr. President, we have seen the results of some of these incentives, and certainly they have shown by what has happened, the benefits that have accrued. When we start comparing the incentives, we give our industry in order to try to be competitive around the world, we are still far below what other coutnries are doing.

The tax laws now under attack were not drawn in ignorance nor to serve any special interest groups within our country.

These laws were conceived to provide the incentives and the means for American business and industry to attract investment necessary to meet the risings needs for better products and better jobs.

As I stated earlier, it was to be more competitive with the other nations of the world. Certainly that has been shown by the tremendous amount of importation of products that have been coming into this country, and our lack of being able to compete in foreign markets, not having increased exports. We were on our way to correcting that to a certain extent. But we still need these incentives if we are going to do so.

Businesses and corporations are made up of people, and they exist to serve people, and that is something that Senators who are offering these amendments seem to have forgotten. They have not taken into consideration, the relationship of investment to jobs.

Mr. President, I would like to discuss the six tax increase proposals briefly.

The 7-percent investment credit has spurred capital investment over the last decade despite its on-again, off-again history. The credit should remain a stable and predictable provision of the code to provide a sound inducement to productive investment.

An example of how the investment credit can affect productivity in the United States can be seen from the apparent impact of the previous credit on new orders for domestically produced machine tools. These orders are viewed as an important indicator of the future capital spending plans of business. After a slight decline in machine tool orders in 1964, new orders increased strongly until October of 1966, when the old 7 percent investment credit was temporarily suspended.

During the period of the suspension, orders dropped more than 25 percent. When the investment credit was restored in 1967, orders began increasing, reaching a peak in April of 1969, when the credit was terminated again. After the termination, new orders for machine tools decreased markedly. We had not

learned our lesson. In the first quarter of 1971, orders were over 70 percent less than their all-time high in 1969. The investment credit was reinstated in August of 1971, and total orders rose 67 percent, from $747.3 million in 1971 to $1.25 billion in 1972.

If we are to be effective in our fight against inflation, we must attempt to increase productivity. Any move to discourage investment in new plants and equipment will discourage productivity and contribute to the inflationary spiral by discouraging increases in supplies of scarce commodities. Increasing supplies and reducing demands is the proper way to fight inflation. Increasing productivity is the effective weapon against this worst tax of them all—inflation. At a time when the country is faced with a huge inflation we must not discourage productivity.

The class life system—ADR—has helped to overcome the repressive nature of our basic depreciation policy. By allowing accelerated capital cost recovery, this system partially offsets the anticapital bias of the code. Until a more basic reform is adopted, the class life system should be continued.

Mr. President, any sound program designed to fight inflation, provide higher wages, and encourage economic growth must contain as a key element an increase in productivity. This requires that an adequate capital recovery system be permanently worked into our tax structure. By using more modern and efficient production facilities, more goods can be produced at a lower cost per unit. By encouraging American industry to invest in the most modern machinery and equipment available, an effort can be made to reduce inflation.

American business has been paying taxes on its capital. In order to lessen the effects of inflation on replacement costs, a shorter period for computing depreciation should be permitted. But we are going in the opposite direction.

Because of inflation, American business has, in effect, underdepreciated its assets. This underdepreciation has led to an overstatement of profits and an overpayment of taxes based on those profits. Typically, a piece of equipment is depreciated at its cost over a long period of time. When replacement is necessary, the cost of replacement has greatly increased due to inflation. This increased cost of replacement must be paid for primarily from earnings.

The foreign tax credit is a neutral, nondiscriminatory mechanism for preventing double taxation of foreign source income. The proposed fragmentation of income types for purposes of applying the credit would be unsound tax policy.

The credit does not cause the allegedly inequitable situations which fragmentation seeks to change, therefore integrity of the credit should not be compromised in dealing with those situations.

Under present law, U.S. companies operating abroad receive a credit for foreign taxes paid, but only up to the amount of U.S. tax that would otherwise be due on this income. If the foreign tax is higher than the U.S. rate of 48 percent for corporations, then the United States does not collect any income tax because that corporation has already paid taxes of 48 percent on its income.

The PRESIDING OFFICER. The Senator's 15 minutes have expired.

Mr. FANNIN. Will the Senator yield some additional time?

Mr. ALLEN. I yield the Senator 5 additional minutes, without relinquishing my right to the floor.

Mr. FANNIN. I thank the distinguished Senator. If the foreign tax rate exceeds the U.S. tax rate, the excess foreign taxes paid cannot be used to offset any taxes on domestic income that are owed to the United States and the excess is borne by the corporate taxpayer. The unused foreign taxes are an additional cost of doing business abroad.

The DISC provisions were enacted just over 2 years ago. They have had a favorable impact on our export trade since that time. They have not yet operated for a sufficiently long period of time to justify any conclusion as to their net long-term effect.

A DISC is a special type of U.S. corporation engaged in the business of export sales. It is not subject to income taxes, although its shareholders are treated as receiving 50 percent of the DISC's income. The other half may be retained by the DISC and reinvested in its export business, generally without liability for Federal income tax.

Mr. President, that is so that they will be able to hold jobs in the United States rather than, as many state, exporting jobs to foreign countries.

Besides promoting domestic employment and helping to improve our balance-of-payments position.

The DISC is intended to overcome two major disadvantages that faced U.S. domiciled exporters. First, they were not receiving the tax deferral benefits available to foreign subsidiaries of U.S. corporations. Second, domestic exporters were often competing against exporters based in foreign countries, who were given more liberal tax benefits by their governments. These disadvantages would exist today, were it not for the DISC provisions.

Percentage depletion is a vital capital recovery mechanism for all minerals, including oil and gas. At this time of energy and raw material scarcities, percentage depletion should not be weakened or repealed.

It is exceedingly important that the tax policy of the Nation not discourage investment needed for the modernization and expansion of its productive facilities. The tax policy of the United States toward the energy companies could determine the outcome of the energy crisis. If taxes are increased, the source of capital can certainly be expected to diminish, or the willingness to invest in the search for new reserves will be impaired.

Tax laws must recognize that rising energy demands in this Nation require the constant development and maintenance of a healthy energy industry.

As exploration and development of energy resources grow more difficult, more costly, and financially more hazardous, venture capital will continue to be attracted to this field only if the reward for success is commensurate with the risks involved. Therefore, to meet national needs and to assure replacement of exhausted mineral assets, the tax laws should provide that all nonrenewable natural resource industries be granted adequate depletion allowances.

The existing minimum tax provisions include several corporate "preference" items which are inappropriate to a minimum tax concept. If they remain therein, the deduction for regular tax liability must be maintained. Without this deduction, there would be simply an additional tax on preference items, not a minimum tax.

Proponents advocate the minimum tax because certain persons in higher income brackets selectively carry on personal and business activities for which the tax laws provide deductions, exclusions and exemptions available to all taxpayers. Those provisions were placed in the tax laws by Congress because they were considered to be needed for reasons of fairness, because they were in the best interests of the Nation, or because there was a constitutional question involved. If Congress determines certain of those provisions to be improper, they should be modified. But, a penalty tax should not be imposed on those who are properly conforming with the provisions of those laws.

These amendments could completely undermine the deductions granted and destroy their effectiveness without any real consideration of their merits.

Mr. President, these so-called tax reform proposals would have a direct adverse effect on capital formation and investment which in turn affects the level of national economic activity which includes jobs.

What is needed in today's economy is a three-phased balance in our tax and fiscal policy and not subsidies to meet election year demagoguery.

First, we must restore an approximate balance in the Federal Budget.

The PRESIDING OFFICER. The Senators 5 additional minutes have expired.

Mr. FANNIN. May I have another 3 minutes?

Mr. ALLEN. Mr. President, I ask unanimous consent that I may yield the Senator an additional 5 minutes without losing my right to the floor.

Mr. FANNIN. I thank the Senator. I will not ask for additional time.

Mr. ROBERT C. BYRD. Mr. President, may I ask the distinguished Senator from Alabama if, once the Senator has completed his 5 minutes, I may have the floor for the purpose of moving to adjourn at that time?

It will be with the understanding that when the Senate, on tomorrow, resumes the unfinished business, the Senator from Alabama will again be recognized. I do not want to take him off his feet, and I shall be glad to make that request.

Mr. ALLEN. That will be satisfactory.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. FANNIN. Mr. President, to conclude, first we must restore an approximate balance to the Federal budget, as I mentioned. There must be an end to the large budget deficits that plagued us for three decades and has been the chief cause of the inflation that work hardship on our citizens and disrupts the economy.

Second, there is an overwhelming need for major simplification of our tax system. The basis of our system is voluntary compliance. If the law becomes further complicated, taxpayers simply cannot comply.

Third, we must keep revising our tax structure with the changing times to make it more fair and more responsive to our continuing economic needs and goals. We need a tax system which encourages American industry to expand its output which provides jobs to maintain the increasing living standards of our people.

For example, the investment credit should be increased, a selective tax incentive in the form of rapid depreciation should be provided for "scarcity" industries, the capital gains should be reduced by instituting a graduated scale tax based on holding period, and double taxation of dividends eliminated. These proposals are necessary if we are to meet the capital needs of American business which can be expected to exceed $2 trillion this decade.

Once again, let me stress that what we are talking about is employment for Americans and the production of essential goods at reasonable prices for Americans. The proposal to cut individual taxes and increase industry taxes is a double-edge sword which can serve only to cut off our productive hands as we slit our economic throat.

Mr. President, at this critical stage in our economy, it is essential that we adopt a policy of capital formation and growth and reject legislation that would increase inflation and unemployment.

We must remember that we are competitive with the other countries of the world. We have seen in the past year a change in our balance of trade. Certainly it has not been of great significance. We still have great fear that it will not remain. Certainly if these tax proposals are placed into effect we will probably go rapidly in the other direction. If we compare the tax incentives in foreign countries with the tax incentives in our own, we will see that our industries are at a great disadvantage.

When we think about what we are doing for business we should measure it in terms of what it means in jobs, in terms of taxes, and from the standpoint of maintaining the economy. We cannot expect to continue cutting back on incentives for business and industry and expect them to perform to a greater extent. Thus, I feel that we have a great obligation very carefully to consider these measures being proposed.

I want to commend the distinguished Senator from Alabama (Mr. ALLEN) for the base on which he is handling this legislation, as he explained the necessity for having a clean bill and that we should await the passage of legislation from the proper committees. Of course, that is not far in the future. So we are not talking about long delays but the normal processes, processes which have been followed over the years and should be continued.

I take this opportunity today to commend the distinguished Senator from Alabama and to thank him for yielding me this time.

Mr. ALLEN. Mr. President, I thank the Senator from Arizona for his fine contribution to this debate and for his pertinent remarks.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the distinguished Senator from Alabama may yield to me, with the understanding that he will not lose his right to the floor, nor have it charged as a second speech, for the purpose of my putting in a quorum call prior to moving to adjourn until tomorrow; with the further understanding that tomorrow, when the Senate resumes the unfinished business, the distinguished Senator from Alabama (Mr. ALLEN) not be taken off his feet and that he be recognized.

The PRESIDING OFFICER (Mr. HARRY F. BYRD, JR.). Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I yield to the distinguished Senator from North Carolina (Mr. HELMS) with the understanding that I do not lose my right to the floor and that he be recognized for not to exceed 1 minute.

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

SENATE RESOLUTION 339— DELETION OF A COSPONSOR

Mr. HELMS. Mr. President, through an inadvertence, for which I accept the responsibility, I am erroneously listed on page 19006 of the CONGRESSIONAL RECORD for June 12, 1974, as a cosponsor of Senate Resolution 339.

I ask unanimous consent that my name be deleted as a cosponsor of that resolution both in the permanent RECORD or anywhere else where cosponsors of this resolution may be listed.

The PRESIDING OFFICER (Mr. ABOUREZK). Without objection, it is so ordered.

Mr. HELMS. Mr. President, one of our distinguished colleagues, who was assisting in obtaining support for Senate Resolution 339, briefly mentioned the resolution to several Senators in a group during a rollcall last Wednesday. I had not read the resolution and, in fact, did not read it until late the following afternoon when it was called to my attention, along with the fact that I was listed as a cosponsor. I then realized that obviously I had not made mysef clear to my distinguished colleague when he inquired as to whether I would be willing to cosponsor the resolution.

My impression was that the resolution was to address itself to an expression of regret that Secretary Kissinger was being tried and convicted in the news media, in connection with certain wire-tap allegations. And, of course, Mr. President, I resent anybody's being tried and convicted in the news media. I believe in the presumption of innocence until proved guilty—whether President Nixon, Dr. Kissinger, or anyone else is involved.

My intent last Wednesday, Mr. President, was to study the text of the resolution—and, after doing so, if I could in good conscience authorize that my name later be affixed to it as a cosponsor, I would gladly do so simply in reaffirmation of my belief that Dr. Kissinger, as well as every other American citizen, is entitled to the presumption of innocence until proved guilty.

But Senate Resolution 339 is simply an unqualified endorsement of everything Dr. Kissinger has done in his role of Secretary of State. I cannot in good conscience offer such an endorsement, Mr. President, because, in truth, I have reservations in my own mind which may or may not be justified. But justified or not, I need far more evidence than is now available to me before I can join in unqualified endorsement of Dr. Kissinger.

It is for that reason, Mr. President, that I have requested that my name be removed from all records of the Senate as a cosponsor of Senate Resolution 339.

While I am on the subject, I desire to offer for the RECORD a few observations pertinent to the activities of Dr. Kissinger. It may be recalled that I voted against the confirmation of Dr. Kissinger when his nomination to the high offce of Secretary of State was before the Senate. I stated at that time the reasons for my vote. It was not, Mr. President, an easy vote, but I felt obliged to cast it, and to state as forthrightly as I could my reasons therefor.

This is one of those instances, Mr. President, when a Senator must cast a vote of conscience, hoping fervently that he will be proved wrong. For my country's sake, I yet hope that I am wrong in my doubts about Dr. Kissinger. On the other hand, I feel that it is imperative to examine the situation as it is—not as we might hope it could be.

We must admit that the Secretary's Salzburg press conference was an extraordinary event. It was an emotional outburst by a man who had been working under forced-draft conditions for weeks. Yet, it betrays a frailty in judgment that raises doubts about Dr. Kissinger's overall judgment. Dr. Kissinger's forte is supposed to be his skill in crisis situations. Yet if this is the way he reacts in public in a crisis—with petulant outbursts, demands for unconditional support, and a breakdown in logical thinking—then what kind of advice does he give in private to the President in a crisis? How does he accept internal criticism and suggestions?

These are serious questions. They cast a greater cloud over his ability to carry on than anything raised by the press so far. If Dr. Kissinger has come to the verge of mental exhaustion by virtue of his schedule, then perhaps he is right; perhaps he should resign for the benefit of the country.

Although I did not vote for the confirmation of Dr. Kissinger as Secretary of State, I frankly have seen little since then to persuade me to alter my judgment. I questioned his competence than, and I question it now. I questioned, for example, his judgment when, as na-

tional security adviser, he assigned a major role in negotiating the wheat deal to Helmut Sonnenfeldt. I deplored Dr. Kissinger's reliance on tired hold-overs from the Johnson administration. Subsequent to his confirmation, Secretary Kissinger had Sonnenfeldt named to an even more responsible position as Counsellor to the State Department. At that time, I again raised serious questions about Mr. Sonnenfeldt's professional competence and reliability—questions which were never gone into by the relevant congressional committees.

Now at Saltzburg, Dr. Kissinger admits that his present troubles with the press, the incidents which he says are clouding his credibility and his ability to negotiate, spring from his own disregard of common sense and basic principles of national security. Dr. Kissinger said:

> I have seen innuendoes according to which allegedly the criteria which I testified to were violated and according to which the first four people that were submitted, according to these criteria, did not really meet these criteria but were united, according to this report, by having worked for the Johnson Administration. . . .
>
> Let me point out that . . . three of the four people on that original list were appointed to the National Security Council staff by me over the strong objection of all my associates. Two of them were appointed to the National Security Council staff by me over the strong objection of the security officers and I personally gave them a clearance.
>
> Can anybody, in all fairness, believe that three months after appointing these individuals to my staff I would initiate a wiretap program designed to prove that they were security risks, or would not a fair interpretation have to assume that criteria were established that were being met?

Mr. President, the news media have pointed out that among these persons appointed over the objections of security officers and personally cleared by Dr. Kissinger was none other than Helmut Sonnenfeldt. In other words, after deliberately overruling security considerations—which was his prerogative as head of a department—after appointing a man who was notorious for news leaks to the press, and indeed even for leaks to a foreign power—Dr. Kissinger suddenly found that the national security was being endangered by news leaks from his office. It is not surprising that those who met the criteria for legal wiretaps were the security risks that he himself appointed. I do not see how Dr. Kissinger is dishonored by agreeing to these wiretaps or supplying the names or whatever he did in this regard. But certainly a cloud is put over his judgment in naming such men to critical security positions in the first place.

Thus we see how President Nixon was betrayed by Dr. Kissinger. By filling his office with men who were not loyal to President Nixon's philosophy and with men who were not loyal to the principles of national security, Dr. Kissinger was directly responsible for creating a situation which resulted in a disastrous series of news leaks—news leaks which were intended to compromise the President and to alter the course of our foreign policy. From the leaks came the "plumbers," and from the "plumbers" came the Ellsberg break-in, and so on until we get to Watergate and all of its ramifications. While I do not think that the facts as yet developed tie Dr. Kissinger to Watergate, I believe it is clear that the anxiety, the healthy anxiety, over national security leaks which developed in the Nixon administration may be traced directly to Dr. Kissinger's cavalier disregard of reasonable security practices. His admission that, as national security adviser, he overruled the security officers to appoint security risks to the National Security Council, is reason enough for him to resign.

Had Dr. Kissinger learned his lesson from these disastrous events, his credibility would be improved. Yet, as Secretary of State, he has continued to appoint security risks to high positions in the State Department.

He has, for example, named one James Sutterlin as Inspector General of the Foreign Service. The records of the State Department contain Sutterlin's own statements that he is a homosexual, who admitted having engaged in perverted acts. He was identified by the medical and psychiatric officers of the State Department as a potential security risk, unfit to serve abroad. His case is detailed in the legal brief submitted by Otto F. Otepka in June 1967, after Otepka was removed from his position as State Department security officer because he refused to bend security standards for political favorites. Otepka has testified under oath about the Sutterlin case before the House Internal Security Committee.

Another of Dr. Kissinger's promotions is that of David Henry Popper as the new U.S. Ambassador to Chile. Chile, as everyone knows, overthrew last year the Marxist regime of Salvadore Allende just before the Communist elements in Allende's government took over. So as our new Ambassador to the new anti-Communist government of Chile, Dr. Kissinger has selected Mr. Popper, whose background includes a long history of pro-Communist interests going back to the Alger Hiss days. Mr. Popper was a member of the editorial board of the notorious Amerasia magazine, and contributed many articles to its pages. On May 26, 1954, the State Department Office of Security recommended that he be removed. This recommendation was concurred in by the Administrator of the Bureau of Security and Consular Affairs, and by the Deputy Undersecretary of Administration. He was suspended on July 20, 1954. But then, mysteriously, he was cleared by an interagency hearing board on October 1, 1954. Such a clearance does not necessarily negate the facts developed in the case. Dr. Kissinger's choice of Popper as Ambassador to the militantly anti-Communist government constitutes an undiplomatic breach of taste, to say the least.

Still another of Dr. Kissinger's promotions is Boris H. Klosson, who was appointed as a political intelligence officer on the U.S. negotiating team assigned to the SALT talks. Mr. Klosson was the State Department political officer in the U.S. Embassy in Moscow who approved the return of Lee Harvey Oswald to the United States. Mr. Klosson indicated on Oswald's application that 20 months of the realities of life in the Soviet Union had had a maturing effect on Oswald. He provided the funds for the Oswalds' return to the United States, even though information had been developed that Marina, the niece of a KGB colonel, was herself affiliated with the KGB. One hopes that the political intelligence Mr. Klosson supplies to the SALT negotiating team shows a higher order of judgment.

Mr. President, it is not my intention to maintain that the individuals I have just named are presently security risks; I merely indicate that they have a history of poor judgment and that they have been appointed to sensitive political positions by Dr. Kissinger. They indicate a continuing pattern of poor judgment by Dr. Kissinger himself in staffing his operations.

Is it any wonder then that when the glamor and huzzahs are removed from Dr. Kissinger's so-called negotiative triumphs there is precious little to remember them by. We are still waiting for results on most of them.

It is true that the results are in on the wheat deal; the adverse impact on the U.S. and world economy, the crippling of our future food strategy, and the boost to the Soviet economy were almost instantaneous.

The results are also in on SALT I. We know now that Dr. Kissinger "underestimated" the rate of Soviet deployment of qualitative improvements. We were supposed to have the lead on quality, giving the Soviets the lead in numbers and throw weight. Now the Soviets have the lead in numbers and throw weight, and they have almost caught up in quality. This leaves us with little to negotiate at SALT II except our qualitative advantages. The gossip is that all we will get at the summit at the end of the month will be an extension—an extension that gives the Soviets time to surpass us.

And Vietnam—the results are coming in there, too, although the MIA's are not. Dr. Kissinger left the Northern troops in the South, and they are acting like Communist troops anywhere—they are fighting every chance they get, and they are resupplying themselves liberally through the loopholes which Dr. Kissinger left in the Paris Agreements. If South Vietnam survives, it will be in spite of the Paris Agreements, and not because a just peace came out of the negotiations.

And what of the MIA's? They are certainly missing from the stage, forgotten, rather, as Dr. Kissinger's traveling show has gone on to greater triumphs. It would be interesting to canvas the MIA's, if they could be found, on the successes of Dr. Kissinger's negotiations.

The results are in on China—there are not any, except that we have disillusioned our friends and allies in the Far East. The alliance has come unglued. The only positive action out of the China trips is the tendency to shovel Free China out the back door, denying her very existence in the communiques from Peking and Shanghai, and quietly pulling out our planes and troops, symbols of protection and aid. Mainland China has been opened up; indeed, the Chinese circus has toured the United States.

So we come to the Mid-East. The results are definitely not in. We do not know yet, both sides of the deal—our side and the Soviet side. We know that the Soviets have some participation, for Dr. Kissinger took care to see Soviet Foreign Minister Gromyko three times in the course of the recent negotiations. Israel and the Arabs both become pawns, mere counters, in the international game. The price they will have to pay for Soviet acquiescence is not yet revealed. In fact, the price the United States will have to pay is not yet revealed, although there are hints lying scattered through the Soviet-United States trade agreements, and in the pre-summit gossip.

Meanwhile, Dr. Kissinger cools an international hot spot by pouring nuclear power even-handedly on both sides. Of course, there will be controls; but for every lock, there is a key, and if not a key, a locksmith. Will the Israelis trust the Arabs, and vice versa? Will each in turn trust us?

No, I am willing to wait for the super-resolution of Dr. Kissinger's super-diplomacy. If it works, I will congratulate him; but I am not willing to pay the bill, because his costs are always high. His style is to ignore the security interests of our Nation when he chooses his men; that is his defense against the charge that he took precautions for our national safety. One hopes that his substance exceeds his style.

QUORUM CALL

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum and ask unanimous consent that I be recognized to call off the quorum.

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

PROGRAM

Mr. ROBERT C. BYRD. Mr. President, the Senate will convene tomorrow at 10 a.m.

After the two leaders or their designees have been recognized under the standing order, the Senator from Oklahoma (Mr. BARTLETT) will be recognized for 10 minutes; after which there will be a period for the transaction of routine morning business for not to exceed 15 minutes; with statements therein limited to 5 minutes each; at the conclusion of which the Senate will resume consideration of the unfinished business. Under the unanimous-consent agreement entered into, Sentator ALLEN will be recognized at that time.

Mr. President, I have been asked to suggest the absence of a quorum with the understanding, as heretofore, that I will be recognized following the quorum call. I now 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.

ADJOURNMENT TO 10 A.M.

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 10 a.m. tomorrow.

The motion was agreed to and, at 5:07 p.m., the Senate adjourned until tomorrow, Tuesday, June 18, 1974, at 10 a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate June 17, 1974:

DEPARTMENT OF THE TREASURY

Francine Neff, of New Mexico, to be Treasurer of the United States.

Gerald L. Parsky, of the District of Columbia, to be a Deputy Under Secretary of the Treasury.

U.S. TAX COURT

Richard C. Wilbur, of Maryland, to be a judge of the U.S. Tax Court for a term of 15 years after he takes office.

(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.)

EXTENSIONS OF REMARKS

BIG OIL-TO-COAL SWITCH IS FEASIBLE IN NORTHEAST; FEO ADMINISTRATOR SAWHILL THINKS SIMPLER POWERPLANTS WOULD ASSIST UTILITIES WHOSE MONEY CRISIS IS "A MATTER OF UNPROFITABILITY"

HON. JENNINGS RANDOLPH

OF WEST VIRGINIA

IN THE SENATE OF THE UNITED STATES

Monday, June 17, 1974

Mr. RANDOLPH. Mr. President, last week's Weekly Energy Report, edited in Washington by Llewellyn King and Richard Myers, gives cogent attention to energy and financial problems mainly faced by the country's electric utilities. This June 10 issue gives prominent attention to an item indicating that there could be a big oil-to-coal switch in the Northeast of the United States; it quotes a finance expert as having told Edison Electric Institute convention delegates that the utilities' money crisis comes down principally to a matter of unprofitability; and points out that Federal Energy Administrator John Sawhill thinks simpler powerplants would be helpful.

The report quotes Donald Sinville, vice president of Public Services of New Hampshire, as having said that—

Twenty-five percent of oil-fired generating capacity in New England—some 3,100 megawatts—could be converted to burn coal. And, with residual oil at current price levels, the fuel switching would save $160 million annually in fuel costs to consumers, assuming a 60 percent load factor at all plants.

Through the New England Power Pool, New England utilities have been pressing for some equalization in fuel costs. East coast power generation is heavilly dependent on higher priced imported residual fuel oil which, 2 months ago, was selling for about $14 a barrel, then dropped to the $11 a barrel range, and is now edging back up. Coal, under long term contracts, is in the $23 per ton range and is expected to reach the $27 bracket some time this year. Residual oil at $14 a barrel equates roughtly with coal at $56 a ton.

New England utilities feel a way should be found to move some lower-priced domestic oil into New England, displacing foreign oil into areas not presently using it. Mr. Sinville suspects such a plan would level the price of oil at around $7 a barrel, about even with anticipated coal prices.

LESS WIRING, FEWER PIPE WELDS

According to another item in the report, FEO Administrator John Sawhill expects initiative, particularly from the electric utility industry. He told the utility industry delegates to the Edison Electric Institute's recent convention to "provide the standard for the rest of the business community to follow in developing new energy supply and in cutting the energy waste from our economic system."

Mr. President, I request unanimous consent to have printed in the RECORD the balance of the article on Mr. Sawhill's admonition, as well as excerpts from remarks to the convention on the subject of the utility money crisis by Eugene Meyer, vice president of Kidder, Peabody & Co.

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

EXCERPTS FROM ARTICLES

John Sawhill told delegates that the nation's utilities have four major tasks, as follows:

Setting up committees of small industrial and commercial customers to develop their own energy conservation plans. "Utilities serving businesses too small for their own R&D programs can—and must—become focal points for a comprehensive energy conservation program in their area," he said.

Sawhill called on the utilities to set up their own energy efficiency goals and follow through on them. "I know it will be tough to make major improvements in conversion efficiency, but an improvement of just one percent each year could yield an equivalent savings of four million b/d of oil by 1985. That's twice the expected daily yield of the Alaska Pipeline."

He called for improvements in plant reliability. "We just can't afford to keep building large plants that are available only three-fourths of the time, or less. I'd like to see the Edison Electric Institute undertake a thorough review of plant design and maintenance to find measures that improve reliability—and then implement them throughout the industry."

Finally Sawhill turned to the problem of