It is little comfort to any of us as we send in our tax returns to the Internal Revenue Service that the average cost of federal programs for every man, woman and child in the U.S. is about $1,500—more than double the cost per person in 1965. Since tax cheaters can be fined and jailed, perhaps federal bureaucrats guilty of squandering our money should be as well.

All these silly projects I have mentioned, plus others too numerous to list, add up to millions of dollars in unnecessary government spending, boosting the rate of inflation and the national debt. Somehow, some way, those of us in the Congress speaking out on this vital pocketbook issue will one day make up the majority and put a permanent stop to this nonsense.

Unless we do, instead of the average American working two hours and 38 minutes every eight-hour working day just to earn enough money to pay all his taxes, he'll become a year-round slave of the spend-crazy government monster, with no freedom for any choices of his own.

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A PARTIAL SUMMARY OF U.S. GENERAL ACCOUNTING OFFICE FINDINGS REGARDING REPORTS ON FEDERAL EXPENDITURES

PENTAGON FRISBEE STUDY—$375,000

The Department of Defense awarded contracts to Honeywell ($79,997) and Denver Research Institute ($108,902) to conduct a self-suspended flare study. In-house costs for the project were $186,931, bringing total expenditures to $375,023.

The objective of the study was to develop an improved aircraft-launched flare for naval applications which would be safe, consumable, cheap, and reliable. Initially funded in FY 1968, the study determined the concept feasible, but two major problems were encountered: The flare as developed had a burn time of less than one minute, and launcher complexity required added development and additional aircraft maintenance. The entire program was terminated in the fall of 1970.

RESEARCH ON THE SMELL OF PERSPIRATION FROM AUSTRALIAN ABORIGINES—$70,000

This is one of 16 subprojects concerned with "zoophysiology in Alaska," and funded by the National Institutes of Health. The purpose of the subproject was to learn about the adaptation of man to his environment and involved a comparison of the Alaskan Eskimo with the Australian aborigine and their stress reactions to climate. The project has not been funded since 1971.

BOARD OF TEA TASTERS—$117,250

According to the Food and Drug Administration, this board meets twice a year—once to set standards on tea importation and a second time to review and decide on all appeals arising from disputes over regulatory actions. A recent amendment to the FY 1974 appropriations bill restricts tea importation regulatory activities to the amount of earnings from fees charged of importers by the government, which is about $57,500. The figure of $117,250, the amount originally requested by the FDA, includes all regulatory costs, such as chemists' salaries and expenses, analysis and compliance costs, and so forth.

GRANT TO THE CITY OF LOS ANGELES TO EXTEND TRAVELERS' AID TO MIGRANTS LOST ON THE FREEWAY—$243,740

A grant of $243,740 was awarded by the Office of Economic Opportunity to the Economic and Youth Opportunities Agency of Greater Los Angeles (now the Greater Los Angeles Community Action Agency) to be applied during a two-year period from 1965 to 1967. The federal money was, in turn, given to the Traveler's Aid Society in Los Angeles, a social service agency. The primary purpose of the grant was to aid migrants moving into Los Angeles. Approximately $10,000 was allocated for the use of freeway vans—trucks traveling the freeway in search of stranded motorists and others who might need help. The vast proportion of the OEO funds was spent on operating a main office of Traveler's Aid and a smaller office known as the Newcomers Center in South Central Los Angeles.

STUDY TO FIGURE OUT WHY CHILDREN FALL OFF TRICYCLES—$19,300

About four years ago, the Bureau of Product Safety in the Food and Drug Administration conducted a study of children's hazards. This study included the hazard of children operating wheeled vehicles. The study's objective was to determine what safety standards were needed for "off-the-road" vehicles. Approximately two-thirds of the study concentrated on the stability of minibikes and trailbikes, and one-third of the study dealt with three-wheeled vehicles, including tricycles.

PAYMENT TO QUEEN ELIZABETH II OF ENGLAND FOR NOT PLANTING COTTON IN MISSISSIPPI—$68,000

Agriculture Stabilization and Conservation Service (ASCS) and Great Plains program payments in 1972 include a subsidy of $67,795 to Delta and Pine Land Company, a wholly-owned subsidiary of Courtald's, Ltd., a British company in which Queen Elizabeth and the Royal family are major stockholders.

STUDY OF THE MATING CALLS OF CENTRAL AMERICAN TOADS—$20,324

The "Investigation of Mating Calls and Paratoid Gland Secretions of the Central American Toad" was conducted under a National Science Foundation grant for $21,000, awarded in 1963 for two years.

STUDY OF INDO-AUSTRALIAN ANTS—$70,000

A study of Indo-Australian ants was conducted at Harvard University from 1964 to 1966. The three-year study was funded with a $70,000 grant from the National Science Foundation. NSF officials claim that because the project ended several years ago, they are not able further to describe the purpose of the research.

STUDY OF THE BLOOD GROUPS OF POLISH ZLOTNIKA PIGS—$20,000

This five-year study was conducted at the Agricultural College in Poznan, Poland, and completed in 1967. The $20,556 project was funded by the U.S. Agriculture Department, and involved research investigating red blood cells and serum antigens in this new racial group of swine.

STUDY OF BISEXUAL POLISH FROGS—$6,000

Estimated FY 1974 expenditures for this Smithsonian Institution project are $6,000. The project is an attempt to properly classify *Rara esculenta*, which is either a hybrid or a separate species of frog, by enzyme and protein analysis, and to allow Polish and American scientists to share the latest techniques in species identification.

ODOR MEASURING MACHINE PURCHASED FOR THE TURKS—$29,361

This Agriculture Department project, titled "Development of an odor measuring instrument for use in inspection and grading of foods," was conducted from 1963–65 at Robert College Research Center in Turkey. USDA officials claim machine developed also has applications in the U.S.

CONDOM STAMP PROGRAM—$47,000

The Office of Economic Opportunity awarded a $47,000 initial grant to Population Services International for sex training and subsidized condoms for teen-age boys in Philadelphia and Cleveland.

STUDY TO TEACH MOTHERS TO PLAY WITH THEIR CHILDREN—$576,969

This National Institutes of Health study was first funded in 1968 with a $149,000 grant to the University of Florida's Institute of Development of Human Resources. The overall title of the study is "Home Learning Center Approach to Early Stimulation." The project is still active with total direct and indirect costs amounting to $576,969.

DICTIONARY OF WITCHCRAFT—$46,089

The National Foundation on the Arts and the Humanities has awarded grants totaling $46,089 to support the gathering of information for a reference book titled "American Popular Beliefs and Superstitions," which the Foundation claims is a standard work for use in the fields of linguistics, mythology, and folklore. The latest grant for $24,134 was awarded on Feb. 15, 1974.

STUDY OF LIZARDS IN YUGOSLAVIA—$15,000

Estimated FY 1974 expenditures for this Smithsonian Institution project are $15,000. The project aims to show how a more vigorous and adaptable species of lizards can gradually colonize and displace a less hardy species.

STUDY OF WILD BOARS IN PAKISTAN—$35,000

Estimated FY 1974 expenditures for this Smithsonian Institution project are $35,000. The project aims to help the Pakistan government control the wild boar, which does extensive damage to crops. In Muslim countries, the boar, like the pig, is considered an unclean animal, and its numbers are therefore not controlled through regular cropping.

STUDY OF THE IMPACT OF RURAL ROAD CONSTRUCTION IN POLAND—$85,000

Estimated FY 1974 expenditures for this Smithsonian Institution project are $85,000. The project aims to determine what happens to a village or rural area previously isolated from the outside world when a road is built. Emphasis will be on the impact to the community's people, culture, families, patterns of trade, immigration, emigration, and so forth.

STUDY OF AMERICAN AND INDIAN WHISTLING DUCKS—$5,000

Estimated FY 1974 expenditures for this Smithsonian Institution project are $5,000. The project aims to show why Indian whistling ducks, anatomically almost identical to American whistling ducks, have apparently survived habitat changes caused by human encroachment while others have become extinct.

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# SENATE—*Tuesday, June 25, 1974*

The Senate met at 10 a.m. and was called to order by Hon. GAYLORD NELSON, a Senator from the State of Wisconsin.

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PRAYER

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

O God, who rules over men and nations, we beseech Thee to guard the President of the United States in body, mind, and spirit on his special mission. Grant to him and his counselors wisdom and grace in every endeavor for true peace.

We pray that Thou wilt support the Congress in its manifold tasks. Uphold all who are in the service of the Nation that daily work may be performed with diligence and in fidelity to our heritage under God. Raise up leaders to whom the people may rally, and grant that all may unite in serving Thee with their whole heart and mind and strength.

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Through Him who is the way, the truth, and the life. 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 assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
*Washington, D.C., June 25, 1974.*

*To the Senate:*

Being temporarily absent from the Senate on official duties, I appoint Hon. GAYLORD NELSON, a Senator from the State of Wisconsin, to perform the duties of the Chair during my absence.

JAMES O. EASTLAND,
*President pro tempore.*

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

## THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Monday, June 24, 1974, be dispensed with.

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

## CONSIDERATION OF CERTAIN ITEMS ON THE CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendars Nos. 923 and 925.

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

## EXTENSION OF APPROPRIATION AUTHORIZATION FOR REPORTING WEATHER MODIFICATION ACTIVITIES

The bill (S. 3320) to extend the appropriation authorization for reporting of weather modification activities, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 6 of the Act of December 18, 1971 (85 Stat. 736; 15 U.S.C. 330e), is amended by striking the word "and" after "June 30, 1973," and inserting after "June 30, 1974," the words "June 30, 1975, June 30, 1976, and June 30, 1977,".

## DRUG ABUSE EDUCATION ACT AMENDMENTS OF 1974

The bill (H.R. 9456) to extend the Drug Abuse Education Act of 1970 for 3 years, was announced as next in order.

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

There being no objection, the Senate proceeded to consider the bill.

Mr. HUGHES. Mr. President, the bill before us, S. 2848, would extend and improve the Drug Abuse Education Act of 1970. It was introduced by the distinguished Senator from New York (Mr. JAVITS), and I am pleased to be one of its 11 cosponsors.

Our Subcommittee on Alcoholism and Narcotics held hearings on the bill, and it was reported last week by the Committee on Labor and Public Welfare without a dissenting vote.

Mr. President, I ask unanimous consent to have included in the RECORD at this point a detailed summary and a section-by-section analysis of S. 2848 as reported.

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

SUMMARY OF S. 2848

1. The bill extends through Fiscal 1977 the grant and contract authorities of the Drug Abuse Education Act of 1970, Public Law 91-527. It authorizes a total of $90,000,000 over the three-year period, $26,000,000 in Fiscal 1975, $30,000,000 in Fiscal 1976, and $34,000,000 in Fiscal 1977.

2. The title of the Act of 1970 is amended to read the "Alcohol and Drug Abuse Education Act", and the Act of 1970 is further amended as appropriate to include education on alcohol abuse.

3. The findings and statement of purpose of the Act of 1970 are amended to respond to the behavioral complexity of drug and alcohol abuse and to emphasize the need for prevention and early intervention programs which recognize the vital role of family, peer group, school, church, and all those institutions in the community which influence the behavior of young people.

4. Activities to be funded, including bilingual activities, will include the development, testing, evaluation, dissemination, and training in the selection of materials; the development of comprehensive school and community programs which seek to eliminate the causes of youthful drug and alcohol abuse; pre-service and in-service training for school personnel, law enforcement officers, and other public service and community leaders; and public education programs for parents and other concerned persons in the community.

5. The bill permits up to 10% of the sums appropriated to be granted to state educational agencies for the costs of assisting local educational agencies to develop and carry out drug and alcohol abuse education programs.

6. The Commissioner of Education may expend up to 1% of the sums appropriated each year for the purpose of analysis and evaluation of the program, and he must submit annually to the House and Senate authorizing and appropriating committees a report stating specific program objectives, conclusions as to effectiveness, any legislative recommendations he may have, a list of studies conducted, and an evaluation plan for the ensuing year.

ANALYSIS OF S. 2848, TO EXTEND AND IMPROVE THE DRUG ABUSE EDUCATION ACT OF 1970

SEC. 2(a)—New title—"Alcohol and Drug Abuse Education Act"

(b) Amends section 2 of 1970 Act by substituting new language for findings and declaration of purpose to reflect the developing recognition of multi-drug abuse including alcohol and of the need for prevention and early intervention programs which seek to eliminate the causes of drug abuse.

(c) Amends section 3 as follows:

SEC. 3(a) Commissioner of Education will make grants to and contracts with institutions of higher education, State and local education agencies, and public and private education or community agencies, institutions, and organizations—to support and evaluate demonstration projects, to encourage the establishment of projects, to train, and to provide technical assistance.

(b) Funds shall be available for activities, including bilingual activities, such as—

(1) development, testing, evaluation, and dissemination of materials, and training in the selection and use of materials;

(2) comprehensive programs focusing on causes of drug abuse, the development of appropriate attitudes and values, and the inclusion of school personnel, parents, youth, and community representatives in planning and development;

(3) prevention and early intervention programs in schools, with training of faculty and students, and student involvement in wholesome alternative activities;

(4) preservice and inservice training for teachers, counselors, law enforcement officials, and other community leaders;

(5) community education programs for parents and others;

(6) recruitment and training of personnel, including former drug and alcohol abusers; and

(7) projects for disseminating model programs.

(c) Funds up to 10% of amounts appropriated each year may be made available to the State education agencies.

(d)(1) Clarifies subsection (d)(1) of 1970 Act setting forth the requirements for applicants relating to administration, reporting, and record-keeping.

(2) Amends (d)(2) to give State education agencies an opportunity to submit in writing within 30 days their comments on grant applications from local agencies.

(3) Clarifies intent of 1970 Act that amendments of applications are subject to the same conditions as are original applications, except as the Commissioner may otherwise provide.

(e)(1) The Commissioner may use up to 1% of the sums appropriated each year for analysis and evaluation of the programs assisted.

(2) The Commissioner must submit an evaluation report annually by March 31 to the House and Senate Appropriations Committees, the Senate Committee on Labor and Public Welfare, and the House Committee on Education and Labor. The report must contain the agency's statement of specific program objectives under the Act, its conclusions as to program effectiveness measured through the end of the preceding fiscal year, make recommendations for any changes or additional legislation needed, list the studies conducted, and contain the evaluation plan for the ensuing year.

(f) To carry out the purposes of the Act, authorizes to be appropriated $26,000,000 in Fiscal 1975, $30,000,000 in Fiscal 1976, and $34,000,000 in Fiscal 1977.

(d) Inserts new section 4 requiring each recipient of funds to keep records as prescribed by the Commissioner disclosing amounts and disposition of funds received, cost of project, funds from other sources, and other records to facilitate effective audit. Authorized personnel of the Department of Health, Education, and Welfare and the General Accounting Office will have access to records for 3 years after completion of the project.

(e) Amends section 5 of the Act to include the word "alcohol" as appropriate.

(f) Amends section 8 to define "Commissioner" as the Commissioner of Education.

Mr. HUGHES. Mr. President, in relation to the size of the problem of drug

abuse among young people, this is a modest bill. It authorizes appropriations of $26 million, $30 million, and $34 million over the next 3 years for the conduct of drug and alcohol abuse prevention programs directed toward young people in their schools and communities. The $26 million authorized for fiscal 1975 is in fact $2 million less than the amount authorized for each of the last 2 years under the Drug Abuse Education Act of 1970. Appropriations to carry out that act, however, have been far below authorizations. For example, with $28 million authorized in each of the last 2 fiscal years, only $12.3 million in fiscal 1973 and $6 million in fiscal 1974 were appropriated.

During our hearings on this legislation, the administration's witness, although agreeing with the philosophical approach reflected in S. 2848, opposed passage of the bill on the ground that a limited Federal responsibility could be carried out under comprehensive education legislation and local programs could be funded from State drug and alcohol formula grants.

The committee concluded that this approach would be totally inadequate. It would leave drug and alcohol abuse education at every level, Federal, State, and local, to depend for funds on agencies with other primary tasks and demands. Moreover, experience with drug abuse education programs over the past 4 years proves that this program administered by the Office of Education performs a unique and essential service not offered by any other agency: it speaks with credibility to educators, who traditionally look for guidance to the Office of Education rather than to the various Federal health and law enforcement agencies.

Mr. President, during the past year statements of the President and of other administration officials have encouraged the impression that drug abuse in our society is declining. It may or may not be true that heroin abuse is declining, or at least that it is not increasing so rapidly as it was a few years ago. Even if we accept this assumption, however, it does not support the conclusion that we are overcoming the problem of drug abuse.

Hundreds of thousands of young people are involved in varying degrees with the abuse of cocaine, amphetamines, barbiturates, tranquilizers, hashish, and marihuana. In addition, reports from all over the Nation indicate a rise among teenagers in the abuse of alcohol, our leading drug of abuses.

A recently reported survey in Florida indicated that there are more than 20,000 teenagers between the ages of 14 and 17 in that State who drink every single day. It happens that the survey was conducted in Florida, but I am sure the situation is not so different in other States. Since 1970 about half the States have lowered the legal drinking age to 18, and the Insurance Institute for Highway Safety reports a significant increase in the number of 15- to 20-year-olds who were killed in crashes in those States during the year following the change in the law.

Mr. President, our young people are surrounded by alcohol and other dangerous drugs. According to the 1973 report of the National Commission on Marihuana and Drug Abuse, Americans in a recent year spent an estimated $972 million for mood-altering prescription drugs and $28 million more for nonprescription sleeping agents. Retail sales of alcoholic beverages in this country last year amounted to $26.6 billion. We can and should impose better controls to prevent the abuse of these substances, but in the face of their enormous availability, the most effective controls will be those within the individual.

I am convinced that we must greatly intensify our educational efforts. By supporting these programs which are designed to help young people develop appropriate values and attitudes toward the use of chemical substances, we will be saving young lives, not just picking up the pieces after disaster has struck.

This year we have been asked to appropriate more than $240 million for the treatment and rehabilitation of drug users and more than $294 million for drug law enforcement The Federal budget request for alcoholism is almost $100 million, and this is not nearly enough when we know the disease costs our economy at least $15 billion annually. Nearly every dollar of all these millions is spent either to prevent the flow of illicit drugs or to repair the harm caused by substance abuse.

Without a much stronger education and prevention effort, our attack on drug and alcohol abuse would continue to be unbalanced and indeed irrational. This modest bill will help to fill that need. I urge that it pass.

Mr. JAVITS. Mr. President, I urge my colleagues to support the passage of the Alcohol and Drug Abuse Education Act Amendments of 1974 (S. 2848). Alcoholism and drug abuse in our country has been increasing. We are seeing now, in this country, the development of a frightening pattern of polydrug use. Young people, even at the junior and senior high school levels, are taking drugs in combination—amphetamines, barbiturates, tranquilizers, and others, frequently mixed with alcohol.

While we need to develop some clinical treatment models for youngsters so deeply enmeshed in polydrug use as to be rendered nonfunctional, we should not fail to heed the major lessons to be learned from our experience in dealing with the drug abuse problems over the past few years.

The drug abuse problem cannot be solved by our simply dealing with its ultimate manifestation in the individual, that is addiction or crippling polydrug use. The abuse of any substance is complex human behavior which is influenced by many forces; school, family, church, community, media, peer group pressure. We must undertake the development of educational program models that utilize the resources of all of these in order to affect drug taking behavior before it reaches the final stage; one where already overburdened and often still uncertain health professionals must be called upon again for a solution.

We must undertake early intervention and primary prevention activities, aimed at helping experimenters and users out of the "taking" category before taking becomes "abusing." And at helping the troubled youngsters who, even though a nonuser, may be headed for trouble with drugs because of their abundance and easy accessibility, because of peer pressure to conform, to join, to belong, and because of the more general but equally strong overall pressure in our society to opt for the chemical solution to life's problems.

The community at large, and the schools particularly, are in the best position to focus on the causes of drug abuse rather than the symptoms, to reflect their own specialized needs, and to plan and develop responsive early intervention and prevention programing.

Criticisms of so-called drug education efforts have been leveled at programs which have focused for the most part on providing massive amounts of information, very often to bored or hostile audiences. Such criticism is well directed, but not because education does not work. Rather because information is not education.

Drug education should be a total process of interaction between individuals which emphasizes the effective as well as the cognitive approach; a process in which drug information is utilized as a nutritive ingredient for the mutual growth of teacher and student alike, to the end of involving the student in intellectual, cultural, and social alternatives to drug abuse. The pending legislation for the first time will permit our Nation to mount the appropriate national attack to achieve these objectives.

The committee reported bill is substantially identical to the bill I authored and introduced with Senator HUGHES, chairman of the Subcommittee on Alcoholism and Narcotics—who has provided our Nation with exceptional leadership with respect to this critical problem of drug abuse—and cosponsored by all of the minority members of the Committee on Labor and Public Welfare—Senators DOMINICK, BEALL, SCHWEIKER, STAFFORD, and TAFT, and Senators CRANSTON, EAGLETON, HATHAWAY, RANDOLPH, and Senator WILLIAMS, chairman of the Committee on Labor and Public Welfare—who has provided continued dedication with respect to combatting drug abuse.

I am particularly gratified that the measure we are now considering is in great measure patterned upon the SPARK program in New York City which has demonstrated that a school team approach, relying on accurate information and counseling, can be effective. Interestingly, its success is due in large measure to its meaningful use of students themselves as "teacher" in the overall educational process.

I believe this bill will make a substantial contribution to alleviating the

growing drug abuse problem, evidenced by the successful experiences of programs such as SPARK and others.

To achieve these objectives:

First. The bill extends through fiscal year 1977 the grant and contract authorities of the Drug Abuse Education Act of 1970, Public Law 91-527. It authorizes a total of $90,000,000 over the 3-year period, $26,000,000 in fiscal year 1975, $30,000,000 in fiscal year 1976, and $34,000,000 in fiscal year 1977.

Second. The title of the act of 1970 is amended to read the "Alcohol and Drug Abuse Act," and the act of 1970 is further amended as appropriate to include education on alcohol abuse.

Third. The findings and statement of purpose of the act of 1970 are amended to respond to the behavioral complexity of drug and alcohol abuse and to emphasize the need for prevention and early intervention programs which recognize the vital role of family, peer group, school, church, and all those institutions in the community which influence the behavior of young pepole.

Fourth. Activities to be funded, including bilingual activities, will include the development, testing, evaluation, dissemination, and training in the selection of materials; the development of comprehensive school and community programs which seek to eliminate the causes of youthful drug and alcohol abuse; preservice and inservice training for school personnel, law enforcement officers, and other public service and community leaders; and public education programs for parents and other concerned persons in the community.

Fifth. The bill permits up to 10 percent of the sums appropriated to be granted to State educational agencies for the costs of assisting local educational agencies to develop and carry out drug and alcohol abuse education programs.

Sixth. The Commissioner of Education may expend up to 1 percent of the sums appropriated each year for the purpose of analysis and evaluation of the program, and he must submit annually to the House and Senate authorizing and appropriating committees a report stating specific program objections, conclusions as to effectiveness, any legislative recommendations he may have, a list of studies conducted, and an evaluation plan for the ensuing year.

Mr. MANSFIELD. Mr. President, I move to strike out all after the enacting clause of H.R. 9456 and substitute therefor the text of S. 2848 as reported by the Committee on Labor and Public Welfare.

The motion was agreed to.

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

The bill (H.R. 9456) was ordered to a third reading, was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that S. 2848 be indefinitely postponed.

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 passed the following bill and joint resolutions in which it requests the concurrence of the Senate:

H.R. 15223. An Act to amend the Federal Railroad Safety Act of 1970 and the Hazardous Materials Transportation Control Act of 1970 to authorize additional appropriations, and for other purposes;

H.J. Res. 1056. A joint resolution to extend by 30 days the expiration date of the Defense Production Act of 1950; and

H.J. Res. 1061. A joint resolution making further urgent supplemental appropriations for the fiscal year ending June 30, 1974, for the Veterans' Administration, and for other purposes.

## HOUSE BILL AND JOINT RESOLUTION REFERRED

The following bill and joint resolution were read twice by their title and referred as indicated:

H.R. 15223. An act to amend the Federal Railroad Safety Act of 1970 and the Hazardous Materials Transportation Control Act of 1970 to authorize additional appropriations, and for other purposes; to the Committee on Commerce.

H.J. Res. 1061. A joint resolution making further urgent supplemental appropriations for the fiscal year ending June 30, 1974, for the Veterans' Administration, and for other purposes.

## ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I yield my time to the distinguished Senator from West Virginia (Mr. ROBERT C. BYRD), the assistant majority leader.

Mr. ROBERT C. BYRD. I thank the distinguished majority leader.

## PRESIDENT NIXON'S JOURNEY TO MOSCOW

Mr. ROBERT C. BYRD. Mr. President, President Nixon will embark today on another journey to Moscow. The wisdom of his course of action has been questioned by many people who believe that détente is more and more tending to favor Russia at the expense of America. Soviet leaders are naturally wary, they being uncertain about the President's political future. The Soviets are no longer dependent on massive American grain shipments to avert critical food shortages, and they may be loath to make concessions. It is felt by some that the Russians will go to the summit determined to fight for terms that will virtually guarantee Soviet strategic superiority over the United States in the future.

It is asserted by the President's critics in this country that the President's domestic troubles must weaken considerably his capability to take the strong line that may be necessary in his discussions with the leaders of the Soviet Union.

It is further hinted that the President might be inclined to make concessions to the Soviets that would be inimical to American interests, in order to create the impression of success and harmony in the talks.

For these reasons, it has been strongly advocated by some people that President Nixon cancel his trip to Moscow.

I have had serious doubts about the wisdom of the timing of the forthcoming Moscow meeting. There is no question but that the President will be negotiating from a weakened position at home, and the Soviets know it. Nonetheless, the Moscow meeting is on, and, that being a fact, I think it is up to all of us to put our hands to the plow and not look backward.

Whatever may be the personal popularity, or lack of it, of Richard Nixon, he will sit down at the conference table in Moscow as the President of the United States. Regardless of what domestic problems may be unresolved at this time, I believe that the American people are generally behind the President in his international dealings. While I shall withhold my judgment regarding any commitments the President may make at the summit, he has my support in his desire to prevent the Soviet-American détente from losing momentum.

This is a time when we, as a Nation, should not give the Soviets any idea that they can roll him over, simply because he is involved in serious political problems at home.

The Soviet leaders must know that despite the executive powers vested in the Office of the Presidency of the United States, no President, as an individual, can unilaterally commit this country to any course of action or inaction that is patently against the best interests of the United States vis-a-vis the interests of any potential adversary.

The President of the United States has been through the political and diplomatic wars for many years. He is fully aware that his every action in international intercourse—particularly his actions and demeanor in Moscow—will be subject to the very closest scrutiny by his supporters as well as by his detractors. He is also conscious of the fact that the Congress of the United States, and the people of the United States, will have to be answered to for any agreement that may be concluded between the United States and Russia at the coming summit talks. It is inconceivable to me that the President would jeopardize his good record in the conduct of foreign affairs by being anything other than firm and resolute in behalf of American interests.

I do not believe that this President or any President will trade away his country's position for his own political advantage.

I think we went too far on SALT I, but if we don't get a new agreement, I doubt that we are any the worse off. As a matter of fact, there are times when no agreement is far better than one that is hastily contrived for the occasion. And it is entirely possible that the summit meeting will result in an exercise of restraint in the deployment of new

weapons systems involving multiple nuclear warheads.

So I believe, Mr. President, that the die having been cast, all Americans should put aside partisanship and personal feelings and present a solid front of support for the President in Moscow. It is possible that the success or nonsuccess of this summit will have an important bearing on whether our children and our grandchildren will live in a world of reasonable harmony or in a world constantly on the knife edge of nuclear catastrophe.

Our immediate domestic problems are serious and must be solved judiciously and fairly and as rapidly as our constitutional process will allow. But the problems that could face us in a future world devoid of hope for peace would make our present difficulties seem inconsequential by comparison.

Let us, therefore, close our ranks and wish Godspeed to the President of the United States as he approaches a meeting upon which might hinge our destiny.

## ORDER OF BUSINESS

The ACTING PRESIDENT pro tempore. Does the acting minority leader wish to be heard?

Mr. BUCKLEY. Mr. President, I yield back my time.

The ACTING PRESIDENT pro tempore. The Senator from Virginia is recognized for not to exceed 15 minutes.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield to me for a unanimous-consent request?

Mr. HARRY F. BYRD, JR. I yield

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the time allotted to me under the order be transferred to Mr. PASTORE.

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

## THE PRESIDENT'S TRIP TO MOSCOW

Mr. HARRY F. BYRD, JR. Mr. President, I associate myself completely with the remarks just made by the able Senator from West Virginia, the majority whip of the Senator, Mr. ROBERT C. BYRD, on the President's trip to Moscow. His comments are thoughtful and are in keeping, I feel, with the nonpartisan view which one must take of our relations with foreign countries.

I join the Senator from West Virginia in wishing the President well as he proceeds today from Washington to Moscow via Brussels.

The Senate, regardless of party, will stand solidly behind President Nixon and Secretary Kissinger during the time they are in the Russian capital.

Mr. President, assuming that agreements on behalf of the United States are made in Moscow, such agreements must come to the Senate for final approval.

My purpose in speaking this morning on the floor of the Senate is to express the hope that our leaders, as they meet with the leaders of the Soviet Union, will take a hard bargaining position in any negotiations affecting the military capacity of the United States vis-a-vis the Soviet Union.

It is my belief that in each of the major agreements which the United States has made with Russia in the last several years, the United States has come out second best. I think it is important that in any new agreements which might be made, our leaders have firmly in mind the action of the Senate of the United States in 1972. At that time, in ratifying the Interim Agreement on Strategic Arms Limitation, the Senate specified that in any new agreements, our leaders and our negotiators must seek parity with the Soviet Union in nuclear arms. I think it is important that that be adhered to, and I hope I shall be able to support any agreements that result from this conference. I want to say, however, that I cannot and will not give a blank check. I expect to examine carefully any agreements made in Moscow.

As the President leaves today, I think it is important that he know, that the Secretary of State know, and that the Russian Government know that some Members of the Senate are concerned about concessions which have been made in the past and concessions which might be made in the future. This, I believe, will tend to strengthen the President's position, and that is what we all want to do—to strengthen the President's position, as he deals with the Soviet Union. The Soviets are very tough bargainers, very difficult bargainers, and in my judgment they will take advantage of every opportunity for their own benefit.

Frankly, some Senators have some concept about the upcoming conference. We wish the President well, we wish him every success, and we will stand behind him while he is on foreign soil. We will examine carefully any proposals he brings back.

Mr. President, I reserve the remainder of my time.

Mr. ROBERT C. BYRD. Mr. President, I thank the Senator for his kind comments with respect to my speech.

The ACTING PRESIDENT pro tempore. Under the previous order, the Senator from New York (Mr. BUCKLEY) is recognized for not to exceed 15 minutes.

Mr. BUCKLEY. Mr. President, I rise, first of all, to compliment my good friend, the Senator from Virginia (Mr. HARRY F. BYRD, JR.), for his remarks. I believe they are extremely timely.

I also associate myself with the remarks of the distinguished assistant majority leader, the Senator from West Virginia (Mr. ROBERT C. BYRD), for expressing the fact that every Member of this body wishes the President well on his trip to the Soviet Union and that we wish him success in representing our interests as a nation. At the same time, however, I think we all recognize that, under the Constitution, the Members of this body have special responsibilities with respect to the negotiation of treaties. I share some concerns that have been expressed by other Members of this body about the apparent trend of some of the negotiations in the enormously important and sensitive area of the strategic arms limitation talks.

Mr. President, the United States has been engaged in negotiations for the limitation of strategic arms since 1969.

The first round of these negotiations resulted in an ABM treaty which placed symmetric restraints on both the United States and Soviet deployment of ABM interceptors and radars.

Unfortunately, a similar agreement was not concluded with respect to strategic offensive weapons.

Rather, a "temporary" freeze on ICBM launchers and a ceiling on submarines and their associated ballistic missiles was negotiated.

Under its terms, the Soviet Union is granted significant quantitative advantages over the United States. Specifically, as originally understood, the Soviets could destroy up to 1,618 ICBM's versus 1,054 for the United States; the Soviets could deploy 62 "modern" post-1964 submarines versus a U.S. maximum of only 44; and the Soviets could deploy 950 SLBM's versus only 710 for the United States.

I said, "as originally understood," because the agreement also suffers from ambiguities that must be cleared up in any permanent arrangement.

At the time of the SALT I negotiations, the Soviets never admitted to the particular number of missiles or submarines which they had deployed. Thus, we entered into an agreement without knowing the precise terms contained in it.

The treatment of Soviet submarines, particularly the 22 Gulf class diesel submarines with their 66 missiles and the 9 Hotel II class nuclear powered submarines with their 27 missiles, was never explicitly presented to the Congress as part of the agreement.

Thus, "clarifying" memorandums had to be exchanged in order to determine what the Soviet SLBM ceiling was to be. Thus, the actual ceiling may well be not the 950 that the Congress originally voted upon, but 1,043.

The recent development by the Soviets of "cold launch" or "pop-up" launches has served to highlight another area of ambiguity in the agreement, namely that of silo dimensions. Because of ambiguities concerning changes in silo depth and width, it appears that the Soviets may be legally permitted to increase the payload capacity of their land-based ballistic missiles by more than 50 percent.

It is for these reasons that I supported the Jackson amendment to the instrument of ratification for the interim agreement that requires the negotiation of a permanent agreement which would provide nothing less than equality for the United States.

It has been a source of great concern to me to read a number of discussions in the press concerning several proposals that the United States is said to be advancing in connection with the current SALT negotiations.

My concern is in three areas. The first is a proposal for MIRV constraints. A number of formulas have been proposed for limiting the deployment of MIRV's by limiting the number of launchers upon which MIRV warheads could be

deployed. With the unlikely exception of an agreement that would limit MIRV's to extremely low numbers—no more than a couple of hundred—it is virtually impossible under such an arrangement for the United States to maintain a position of parity with the Soviet Union.

The reason for this is that such an arrangement would not address itself to the basic inequalities in the central strategic systems of the Soviet Union and the United States. I speak of the ICBM's and SLBM's which were the focus of congressional attention during the SALT ratification debate in 1972. Moreover, the nature of the constraints proposed would tend to inhibit the chances for negotiating a future agreement to achieve equality in central systems because of the narcotic-like effect upon Soviet attitudes that would result from their being able to negotiate successive agreements with the United States in which they are conceded quantitative advantages.

Second, I am concerned over reports that a 2- to 3-year extension of the existing interim agreement on offensive forces has been proposed as a "trade-off" for MIRV constraints. Such an extension, of course, would be in defiance of the explicit congressional mandate to negotiate a permanent agreement based on the principle of parity. To proceed instead with still another interim agreement would tend to confirm the ancient French adage that "nothing is so permanent as the temporary." Extending the interim agreement would simply make it more difficult to ever negotiate a permanent agreement because the United States would have expressed by its action a willingness to live with very unequal terms for an extended period of time—7 years. Moreover, as the Soviets begin exploiting their quantitative advantages through qualitative improvements in their warhead technology, they could achieve an overall strategic superiority that could blunt their interest in a permanent agreement based on true parity.

Third, it is stated that a Threshold Test Ban has been proposed which would limit underground nuclear tests to a certain number and of a limited explosive yield. Such an agreement poses enormously difficult problems of verification. Without the right of on-the-ground inspection, which the Soviets have never allowed, we are limited to techniques that have serious limitations. Thus, we could not have a high degree of confidence in our ability to adequately monitor Soviet tests.

Perhaps more important would be the effect of such an agreement on our ability to implement our new policy favoring the development of less destructive warheads that can be targeted with greater precision. The nature of the proposed Threshhold test ban may gravely inhibit the ability of the United States to develop and test new nuclear warheads that are consistent with the new administration policy that the Congress has recently endorsed. The administration should not place itself in a position of supporting a change in targeting policy on the one hand and negotiating a set of restraints that would inhibit that change on the other.

I fully support negotiations that seek to place a limitation on strategic arms. This is a subject, however, in which matters of detail can be of critical importance, and I am gravely concerned about the potential effect on our security, our future negotiating posture, and the attitude of our allies if the present course of the SALT negotiations, as reported in the press, is pursued. I would argue that we must focus not on peripheral issues such as test bans and MIRV constraints, but on fulfilling the congressional mandate of focusing on central strategic systems, namely, ICBM's and SLBM's.

In this regard we should be seeking an agreement which provides for essential parity in payload capacity of the strategic forces of both the United States and the Soviet Union.

We should not seek agreements that would impede the growth and development of technology which would reduce the potential destructiveness of strategic forces so that they can support a more flexible and effective strategic nuclear policy. Rather, we should seek to roll back the numbers of our respective central delivery systems in a manner that will reduce our respective forces in a manner consistent with the principle of parity.

Mr. President, I ask unanimous consent to have some articles and news items in connection with this matter printed in the RECORD.

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

[From the Washington Post, June 3, 1974]

SOVIET DEPLOYMENT OF A-MISSILES SEEN

(By Michael Getler)

It now seems clear, in the view of senior U.S. officials, that the Soviet Union is intent on deploying "significant numbers" of three new long-range, nuclear-tipped missiles now being flight-tested.

It is this assessment that is largely responsible for widespread pessimism within several government agencies about the prospects for putting any major restraints on the continuing nuclear arms race this year.

There is still a possibility, informed sources report, that a new interim agreement that would limit, for the first time, deployment of MIRV-type multiple-warhead missiles can be arranged in principle at the Moscow summit meeting which begins June 27. The maze of technical details would be worked out in the following months.

It is also understood that the Soviet Union has "agreed in principle" to some possible disparity in the number of these missiles allowed each side.

But the critical question of how big a disparity is acceptable has not been negotiated.

U.S. officials acknowledge that even if such an accord can be reached, the level of permissible MIRV-missile deployment will appear so high that it is virtually certain to trigger criticism that the agreement failed to slow the momentum of the Soviet buildup and this is both dangerous and "cosmetic."

A MIRV agreement would be linked to another agreement to extend for two or three more years the overall interim accord on offensive nuclear weapons that was signed in Moscow in May, 1972, and was to have expired five years later in 1977.

This, too, is the subject of controversy within the government.

Some officials believe that extending the interim agreement until 1979 or 1980 would reinforce a Soviet view that the numerical advantages it was granted on a temporary basis in May, 1972, in the total number of land and submarine-based missiles allowed, should form the basis for a permanent limitation on missile numbers still to be negotiated.

Administration officials concede that at best, the type of new limitations being discussed would be "marginal" in terms of real restraints on the arms race, and then only in the very long term.

But if some Soviet concessions are granted, they feel that a new agreement even at high levels may be defensible, and if so, then it is better than no agreement.

The MIRV agreement would probably run for as long as the extended interim agreement, or possibly longer. But it would be subject to review and thus not permanent.

If there is no dual arrangement on MIRV and extending the interim accord, then indications are that Soviet party chief Leonid Brezhnev and President Nixon will issue new expressions of intent to have both strategic arms negotiating teams press ahead to reach a permanent agreement on offensive weaponry by the original 1977 expiration date of the initial accord.

Thus, it appears that no matter what happens at the summit, none of the many new nuclear weapons projects now under development by both countries will be affected. Nor will the development of any of these new weapons be affected, at least for several years, if then.

The odds on reaching a MIRV agreement in June are currently rated as less than 50–50.

In part this is because of the technical complexity of the issue, the short period of time left before the summit, and the absence of Secretary of State Henry A. Kissinger for the past month.

In addition, there is a school of thought, said to exist among some members of the U.S. delegation to the SALT negotiations, that the Soviets generally interpret the flow of events and attitudes including the balance of military power, as going their way and thus see no need to bend much at the arms talks.

Others contend that Brezhnev, like Nixon, is committed to detente and the continuance of SALT. The extension of the interim agreement allows him to retain the numerical advantages for a longer period, perhaps giving him time to ease pressure from the Soviet rocket force commanders who wield considerable clout in the Soviet bureaucracy.

Still others argue that while Brezhnev may be committed to detente, he has thus far been able to keep all his options open by pursuing the arms race as well, and until the United States really pressures him, he will not slow down the parallel effort.

Kissinger's return Thursday from the Middle East and his apparent ability to wangle agreements could change things. "Intellectually, I'd say there is not enough time," one senior official said, "But Kissinger might pull it off."

Under the May, 1972, interim agreement, the United States basically was allowed the 1,054 land-based ICBMs it now has plus the 41 Polaris and Poseidon submarines that each carry 16 missiles.

The Soviets were allowed the 1,618 land-based ICBMs they had deployed or under construction, plus up to 62 missile subs if they retired roughly 210 of their oldest ICBMs.

The May, 1972, SALT agreement also included a permanent treaty limiting rival antiballistic missile (ABM) systems, which are defensive weapons.

However, the United States, in a unilateral declaration, stressed that unless permanent accords are also reached on offensive weap-

ons, it might withdraw from the ABM treaty if it felt its supreme interests were threatened.

Thus, failure to eventually reach some permanent agreements on offensive weapons could in effect reopen the arms race full-scale, including defensive missile systems.

(The Washington Post reported on Saturday that an American mission of experts has been sent, unannounced, to the Soviet Union to prepare for a potential limited ban on underground nuclear test firings that could be signed at the Moscow summit conference.

(U.S. officials said that the delegation, now in Moscow, would participate in "exploratory technical talks" on what is known as a partial, or "threshold" underground test ban. If no new SALT agreement is reached in time for the Moscow summit meeting, or if there is only a generalized accord in principle on SALT II, the "threshold" test ban could serve as the central nuclear weapons accomplishment at the summit, even though its effect on the nuclear arms race would be limited.)

The numerical edge granted the Soviets under the 1972 agreements, was viewed as a temporary offset to the greater accuracy of American missiles, the overseas bases for U.S. submarines, and the fact that the U.S. was far ahead in the MIRV technology of putting several warheads on a single missile and guiding each to a separate target.

MIRV stands for multiple independently targetable reentry vehicle, and its development and deployment remain at the heart of the arms race.

The United States already has 410 MIRVed Minuteman and 352 Poseidon missiles deployed out of a planned force of 1,046 MIRVed missiles.

The Russian missiles are all of the single-warhead variety.

But the Soviets are now testing four new replacement misiles with MIRV, and three of them are bigger than existing U.S. missiles—though not yet as accurate. Thus, conceivably the U.S.S.R. could outpace the U.S. arsenal in year to come and possibly threaten to knock out all or most of the U.S. Minuteman missiles in a surprise attack.

Whether the Soviets can achieve the required accuracy and reliability to actually pose such a threat is debatable. But the administration is concerned should it even be "perceived" that Soviet nuclear forces are more powerful than those of the United States.

Because of the indications that the Russians won't settle for less than a roughly equal deployment of MIRV launchers, sources say the levels of an agreement could run close to 1,000 missiles each.

Defense Secretary James R. Schlesinger has argued that because the new Soviet replacement missiles are so much bigger than U.S. versions, a deal ought to be based heavily on "throw-weight"—which reflects the amount of warheads and explosive power a missile can hurl at an opponent—rather than just on number of missiles.

The Soviets have balked at this. But the apparent willingness of the Russians to accept fewer number of MIRVed missiles than the United States might be a partial acknowledgement of this argument.

Among other concessions the United States reportedly is seeking is an increase in the number of allowable U.S. missile-firing submarines, and Soviet agreement to limit deployment of their largest new missiles, the SS–18.

If the United States can achieve these types of agreements, and keep the overall level of Soviet MIRV deployment below that which the United States estimates the Soviet Union could deploy over the next five or six years, then some officials at least think such a pact would be justifiable.

Others contend that the overall levels being discussed probably amount to what the Soviets planned to deploy anyway.

A MIRV agreement at the 1,000-missile level, could cause some U.S. reductions as well, especially since the Navy's new Trident MIRV-firing submarine would join the fleet before the end of an extended agreement. This would force retirement of other MIRV missiles rather than the non-MIRVed Polaris subs as previously planned.

The SS–18 is the potential replacement for the large Soviet SS–9 missile. It could carry as many as five relatively large MIRVed warheads, according to U.S. estimates, and thus has long been the weapon of principal concern if deployed in large numbers. There are currently 288 SS–9s and 25 new silos for the SS–18.

The missile has been tested roughly 12 to 15 times, sources say, but only about six of these reportedly have been with MIRVs. The others carried single warheads. This has led to some speculation that the Soviet Union may be willing to limit deployment of the SS–18 to a single-warhead version.

Weapons specialists estimate that it takes about 20 MIRV flight tests to produce high confidence that the system works. Therefore, an agreement to restrain a MIRVed SS–18 deployment could probably be monitored by U.S. test-watchers.

There is also a probability the United States would press to limit the SS–18 deployment to the 25 new silos as replacement for a relative number of older SS–9s.

Restrictions on the SS–18 would ease somewhat the threat to Minuteman. But another Soviet missile, the SS–19, though smaller, also has impressed U.S. specialists.

The SS–19 can carry up to six smaller but still powerful MIRVs. But this missile does not yet appear accurate enough to knock out silos. The SS–19, and a similar missile known as the SS–17, have both been flight-tested almost 20 times now. Experts here believe both will be ready for deployment by the end of the year.

The SS–18 is expected to take a little longer.

While the Soviet missile-firing submarine fleet is expanding, sources say the Russians are still far behind the United States in developing and deploying sub-launched MIRV missiles.

This explains, they believe, why the Soviets have declined to accept U.S. proposals to put limits on the number of land-based versus sea-based MIRVs.

The Soviets, it is explained, really have no choice at this point but to deploy their MIRVs on land-based ICBMs. Thus, they reject efforts to split the total.

There is concern that the Soviets will use the interim period to solve their submarine missile problems so as to be in a position to push heavily in that area if no permanent agreement is arrived at when the interim accord expires.

A new MIRV agreement could also raise problems of verification for the United States.

Most officials believe the large SS–18 deployments could be monitored by U.S. satellites.

Similarly, the new SS–19—which is expected to account for the widest deployment—uses normal launch methods. This missile's difference from the SS–11 that it will replace is considered by most specialists to be sufficient to permit satellites to account for necessary silo modifications.

The SS–17, which is also viewed as a replacement for a smaller part of the 1000-missile SS–11 force, could cause some problems since that missile uses the so-called "cold launch" or "pop-up" technique which enables it to fit more conveniently into the older silos.

This technique pops the missile out of the silo before its rocket engines ignite, saving room in the silo that normally is needed for exhaust gases to escape.

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[From the Aviation Week & Space Technology, May 27, 1974]

SALT Extension Trades Pondered

(By Clarence A. Robinson, Jr.)

Washington.—President Nixon is nearing a decision on proposals by senior advisors to trade key points on nuclear armaments testing and missile warhead developments to the Soviets for a two-year extension of the present interim strategic arms limitation agreement (SALT–1).

The proposals would tie limits on multiple independently targetable reentry vehicles (MIRVs) to total missile numbers, as the Soviets wish, rather than to the throw weight of the missiles, as the U.S. has proposed.

They also would establish as part of the SALT understandings limitations on warhead test explosions based on a concept called thresholding, or limiting warhead size by a measurement of the seismic shock created by underground nuclear testing.

This could limit the U.S. to testing warheads smaller than the size believed necessary to implement new strategic targeting doctrines.

The proposals, which Secretary of State Henry A. Kissinger is expected to carry to Moscow in advance of President Nixon's planned summit meeting there later this summer, are designed to break the present deadlock in the Geneva talks. The present SALT agreement expires in May, 1977, and under the proposal would be extended to May, 1979.

A U.S.-USSR bilateral agreement on thresholding would come at a time when U.S. representatives to the Conference of the Committee on Disarmament are meeting in Geneva seeking to conclude a comprehensive test-ban agreement among 26 nations. But these talks have centered on a threshold test ban that would permit nuclear tests underground up to a certain magnitude.

THROW WEIGHT LIMIT

A number of officials in various agencies believe a limit to the number of MIRVs that each side can have ought to be unacceptable to the U. S. if it is tied to launchers instead of missile throw weight. Kissinger attempted to gain Soviet agreement to a limit by throw weight when offering earlier to extend the interim agreement two years in a Moscow visit (AW&ST Apr. 15, p. 14).

With the current throw weight of the new missiles developed by the Soviets, they could put a large number of reentry vehicles atop a single booster and still have enough yield in each to counter the U. S. anti-ballistic missile defense—the Safeguard system deployed in the Grand Forks, N. D., Minuteman missile field, a Pentagon official explained.

He added that, in terms of counter force, the USSR would not achieve any significant increase because the ICBMs are already sufficiently large that accuracy development, while important, will not greatly enhance the ability to destroy the U. S. deterrent. "With or without any increased MIRVing, both sides already have a significant deterrent," he said.

ACCURACY IMPROVING

The Soviets will soon have enough guidance accuracy, as evidenced by their latest test of MIRV's in the Pacific, to provide a significant first-strike capability, one Defense Dept. expert said. He added that a limit to the number of launchers with MIRV's could be a key element and could serve to slow the Soviets down in their development effort.

Accuracy in targeting ICBMs is important to developing a first strike capability, the official added, and it is not taking the Soviets nearly as long to achieve it as many U.S. planners believed.

To achieve an 0.9 kill probability against a hardened 300-psi. concrete reinforced missile silo with an 0.25-mi. cicular error probability would require a warhead with a yield of 1.5 megatons. At a closer distance, about one eight of a mile, an 0.9 kill probability can be attained with a warhead of only 200 kilotons, he added.

The USSR is believed by Defense officials to have a throw weight advantage now of 6.5 million lb. to the U.S.'s 3.8 million lb., including both ICBMs and submarine-launched ballistic missiles. The U.S. has offset this Soviet advantage by the bomber force of 240 Boeing B-52s and 66 General Dyamics FB–111s, with an estimated weapon delivery weight of about 16.7 million lb. including the Boeing short-range attack missile (SRAM).

Additions to the Soviet ICBM force since the interim offensive agreement—SSX–16 developed as a mobile landbased ICBM and SSX–17, SSX–18 and SSX–19—could more than triple the Soviet's potentially survivable throw weight after a U.S. second strike. The Soviets can also enlarge their submarine ballistic missile force by the addition of as many as 350 CC–3 missiles with a range greater than 4,000 naut. mi. They could have up to 25 Delta-class submarines with 12 missile tubes over the next four years.

Experts estimate that by 1977, with or without an extension to the interim agreement, the Soviets will have 2,359 launchers and about 200 strategic bomber and tanker aircraft.

The nuclear force mix could include:

Light ICBMs in the SS–11/SS–13 or MIRVed SSX–17/SSX–19—approximately 1,100.

Heavy ICBMS in fixed silos like the SS–9 or its replacement, a MIRVed SSX–18—about 300. The SSX–18 can carry a 50-megaton warhead, replacing the 25-megaton version on the SS–9.

Mobile ICBMs like the SSX–16 with a MIRVed capability—about 50.

Yankee class submarines with 560 SS–N–6 missiles on 35 boats plus 324 SSXN–8s on 27 Delta submarines.

A new version of the 1,300-mi. SS–N–6 is nearing operational readiness and will have several hundred miles greater range and probably advanced MIRVed warheads.

There also is evidence that the Soviets are developing a longer version of the Delta submarine with more than 12 tubes for missiles, a Defense Dept. official said.

The Soviets also have series production under way on the supersonic Backfire bomber and have begun testing a new anti-ballistic missile interceptor.

OFFSETTING ADVANTAGE

"In the post-SALT-I strategic balance, the USSR holds significant quantitative advantages in the number and throw weight of its intercontinental missiles. Currently, this advantage is offset by our lead in numbers of missile warheads and heavy bombers.

"We also still have a significant qualitative lead in such fields as submarine technology, missile accuracy and MIRVs," a Defense official said.

"But the Soviets obviously are not content with their current quantitative advantages and have apparently decided to strive for at least comparable qualitative advantages as well. To the extent they succeed in this effort, they could, in the absence of successful negotiations or further development of our own strategic offensive programs, move closer to upsetting the strategic balance in the future," he added.

Defense Dept. officials describe thresholding as a method of permitting nuclear warhead testing underground while limiting the warhead yield to that which would create a disturbance that could be detected and classified by a seismic device. They describe the threshold test ban treaty as the least of a number of bad alternatives in this area.

In policing such an agreement, Defense Dept. officials would prefer to see a restriction imposed on the warhead yield that can be tested since it would be easier to enforce and easier for both the U.S. and USSR to deal with technically.

One way of policing a threshold agreement would be detectors using the Richter Scale to measure the intensity of seismic events. Some Pentagon officials said the limit under discussion in Geneva now is a reading of about 4.25 on the Richter Scale. Some disarmament and nuclear experts believe that a Richter Scale reading of approximately 6 relates to the detonation of a 50–100 kiloton nuclear warhead underground in a water saturated area. The U.S. detonated a 2-megaton device in testing a warhead for the McDonnell Douglas Spartan anti-ballistic missile on Amchitka and got a Richter Scale reading of about 6.

SEISMIC DETECTION RUDIMENTARY

"In order to contain radioactivity within a nation's boundaries, nuclear underground testing must be conducted below the water table level," an official said. The shock wave transmitted in a water saturated area is greater than in a dry area, he added. It is extremely difficult to determine a single seismic figure that has any meaning, he added, because seismic detection is a rudimentary science.

"There has not been much accomplished in the area of detecting underground nuclear explosions. It would be preferable to set a warhead kiloton limit since we wouldn't really know the warhead magnitude detectable with a seismic device until after we signed such an agreement," the official added.

Decoupling—detonation of a suspended warhead in a large underground cavern with baffling to muffle the shock— is also a method that could be used to test larger nuclear warheads while masking a true indication of their size on seismic measuring devices, another Pentagon official added.

"Certain areas on the earth are much less transmissable for shock waves. If that kind of a nuclear test ban makes any sense at all, it should be a part of SALT–2," he said.

The threshold approach was discussed by Defense Secretary James R. Schlesinger before the Senate Foreign Relations Committee. He said, "I do not think that the arguments against a comprehensive treaty relate primarily to strategic forces. One has to get into the issue of to what degree the United States wishes to improve its tactical nuclear weapons. The constraint with regard to strategic weaponry would probably be beneficial to both sides."

"Since most strategic weapons tests are high-yield tests, they would be halted under a threshold ban; however, the low-yield tests, for the refinement of tactical weapons—testing to create a new family of mini-nukes—could go on," Sen. Edward M. Kennedy (D.-Mass.) said.

"That rationale represents a step backward," he added, "from the commitment this nation made—both in the nonproliferation treaty and in the partial test ban treaty concluded by President Kennedy in 1963—a commitment to seek a halt to all nuclear tests."

If a seismic device is used to measure testing under a threshold agreement, it is likely the Soviets would press for a reading on the Richter Scale of about 3 or below, while the U.S. would want about 5. The Soviets' position, if upheld in an agreement to extend the present interim pact, would likely be to preclude the U.S. from developing a new warhead proposed for the USAF/Boeing Minuteman 3 ICBM under the retargeting doctrine proposed by Schlesinger, a Pentagon official said.

The Pentagon has proposed to Congress developing the Mk. 20, a larger nuclear warhead to replace the Mk. 12/12A now in the 200-kiloton range. The new warhead would have the same number of MIRVs but an increased yield-to-weight capability. The improvements to the Minuteman program would provide the capability to destroy Soviet ICBM silos.

ADVANTAGE TO SOVIETS

Because the U.S. historically has developed smaller, low-yield-type nuclear warheads and relied on accuracy and MIRVing, the Soviets could have a distinct advantage. The Russians have always worked toward larger, higher-yield warheads to overcome their lack of accuracy, one Pentagon official said.

He added there are over 50 seismic devices that could be used to measure underground nuclear tests, and that to avoid any confusion in an agreement, it is likely that the ban will be specified in terms on "numbers—warhead yield. That is one figure that both sides will have no trouble determining."

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WASHINGON.—Secretary of State Henry Kissinger said today the United States and Russia may reach an "agreement in principle" on an underground test ban during President Nixon's summit visit in Moscow.

Kissinger, however, said he does not expect a full scale agreement on the limitation of all strategic nuclear weapons at this time.

Kissinger said that an agreement on limiting the size of underground nuclear tests would be very important if it kept the "threshold" low because that would prevent the development by either side of even greater nuclear weapons.

At a 78-minute news conference the day before taking off for Europe with Nixon, Kissinger devoted much of his time to answering questions about past U.S. actions and future possibilities in the field of nuclear weaponry.

Kissinger said, "I do not expect we will get a completed strategic arms limitations talk (SALT) agreement at the summit but I cannot exclude the possibility."

The United States, however, is considering the possibility of banning underground tests above a certain magnitude and "we think progress in this field is possible," the Secretary said.

Kissinger said it would be very important if agreement could be reached on banning the larger underground test. This would not prevent testing of the "present generation" of multiple H-heads but would foreclose the "next generation", which is the one which will add greatly to the "first strike" capability of either of the two nuclear superpowers to obliterate the other without retaliation.

Kissinger rejected charges by Sen. Henry Jackson, D-Wash., and some others that he had reached a "secret agreement" to let the Soviet Union retain more nuclear missiles than was provided for in the 1972 summit agreement.

"I want to emphasize that no secret deal has been made which permitted any change in the totals outlined in the 1972 agreement," Kissinger said in a weekend statement. "It is regrettable that this false suspicion has been raised just before the President's trip to the Soviet Union."

At the White House, Presidential aides indicated the possibility of Nixon and Soviet party leader Leonid Brezhnev reaching an agreement on a 10-year trade project, among other things. There were no details.

After the news conference Kissinger was scheduled to appear before a closed session of the Senate Armed Services Subcommittee on arms control.

Kissinger has claimed that the "secret agreement" was nothing more nor less than the U.S. interpretation of the 1972 summit nuclear agreement which had already been made public at a news conference we held in Moscow May 26, 1972, had been presented to all the relevant security agencies in Wash-

ington and had been presented to Congress in a number of hearings.

The first charge he dealt with was that the U.S., in a "secret agreement" had permitted Russia to modernize her submarine missiles to have 1,020 of them and not 950, as specified in the agreement.

Kissinger, as he said in his Moscow Press Conference and other occasions, pointed out that in order to be allowed to raise the submarine missiles, the Soviet Union had been forced to agree to scrap a number of SS–7 and SS–8 intercontinental ballistic missiles and still had not exceeded 950 submarine missiles.

The second charge Kissinger handled was that the 1972 interim agreement held the United States to a total of 710 submarine launched nuclear missiles. Kissinger said this was true but the United States was only planning to have 656 by 1977, the end of the agreement, and negotiated the 710 figure just to show that she was getting something even if she didn't intend to use it.

Kissinger said he presented the U.S. "interpretation" of the salt agreement and the interim offensive weapon agreement to Soviet officials and asked them to sign it.

They refused to do so for six weeks because of the firm limitation to 950 submarine nuclear weapons but finally agreed and have kept their word.

Kissinger opened his news conference with a long philosophical statement about the reasons for summit conferences. It boiled down in general to the fact that "relations between the United States and the Soviet Union are the most crucial for the maintenance of peace in the world" because "they are the only two countries that have the capability of a general nuclear war."

He said an effort would be made at the summit to improve relations further by discussing a number of cooperative possibilities including economic, technological and scientific issues.

He emphasized that "the danger we are trying to prevent is to keep technology from driving policy and to bring about a qualitative change." He warned that any nuclear arms race would acquire a built-in momentum which might ultimately force either side to undertake a conflict which would destroy mankind.

On other subjects, Kissinger said:

Israeli Defense Minister Shinone Peres, who arrived in Washington today will begin discussions with American experts concerning a long term military aid program for Israel but no particular figure as to what this will cost has been mentioned as yet.

Relations between the United States and the People's Republic of China are continuing to improve at about the logical rate of "normalization." They may be appearing to slow down but, if so, it is only natural that they could not keep up the rapid pace of the first year.

He saw "no possibility" of the Cuban situation being discussed during the Moscow conference.

There is a possibility of another Soviet-American economic agreement but it is one that will not require the expenditure of public funds. It will consist primarily of exchanges of information.

The United States is working on the question of increasing Jewish emigration from the Soviet Union in a quiet way that "we think will get results without putting it into precise legal form." It is a "delicate and sensitive subject . . . Public discussion by me would defeat our purpose."

The agreement under which the United States will provide Egypt with a nuclear reactor for peaceful uses is the same as will be signed with Israel and includes "new safeguards" to prevent any use of the expended fuel for weapons purposes. Americans criticizing the U.S. action in agreeing to give Egypt a reactor should bear in mind that there were a number of countries, not all of them Communist, ready to help Egypt in this respect, if the United States did not.

In talking about the possibility of concluding a partial underground test at Moscow Kissinger confirmed that in March Russia proposed such a ban and the concept was agreeable to the United States but it was not acceptable "in terms of numbers". Therefore, he added, Nixon and Soviet officials, after each gets the assessments of his technical experts, must review the whole matter. But even if agreement is reached with Moscow in principle and certain levels are set, the "details of verification will have to be worked out at a subsequent meeting."

Mr. BUCKLEY. Mr. President, it seems to me that it is important that we stress at this time the nature of our concerns, both for the benefit of the President and for the benefit of the Soviet negotiators. I believe that nothing is gained if we find a disruption of communication between the President, who, of course, is in charge of foreign policy, and the Senate, which is called upon to approve or disapprove specific treaties that are negotiated.

My concern has been raised by some articles that appeared in the press in recent days indicating that the United States may be proposing certain interim adjustments to the interim agreement.

In the first place, we are advised that we may be suggesting some sort of constraint on the ability of the Soviet Union to deploy MIRV's on their huge intercontinental ballistic and submarine-launched ballistic missiles.

I would point out that aside from the problems of verification, if we are merely talking in terms of some limitation on the number of MIRV's we do not advance the negotiations to that critical objective, the objective enshrined in the Jackson amendment appended to the ratification of the SALT accords.

I speak of the need to achieve quantitative equality in our central delivery systems. There is nothing in the suggestion of MIRV constraints that attacks the root problem that faces us.

Moreover, to the extent we engage in the one agreement in which the Soviets are conceded a quantitative superiority, to that extent do we harden their desire to maintain that position of superiority.

Another report that concerns me is a trade-off for MIRV restraints; that we may seek a 2- or 3-year extension of the interim agreement. This is at cross purposes with the Jackson amendment; namely, to begin hard negotiations for the achievement of parity and a permanent agreement; and, again, to the extent we delay the time when we must confront Soviet negotiators, we again harden their attitudes and give them additional time within which they are able to convert their quantitative superiority through the application of greater sophistication of warhead design into an absolute superiority which will remove from them any real incentive for the permanent agreement establishing the principle of equality.

We read in the press of a possible threshold test ban that would limit the number and size of underground nuclear explosions. I have two reservations in this area. First of all, I understand that our ability to monitor such explosions are not all so exact as to give us a high degree of confidence that the ban is not being circumvented; but second, I am concerned that such a ban may have the effect of frustrating our new policy enunciated by the administration, and adopted and accepted by Congress in connection with the military appropriation budget, namely, one which seeks to develop less destructive warheads that can be deployed with far greater accuracy, thus giving the President more options in the event we are confronted with a decision.

To develop these warheads requires underground testing. I would find it strange if on the other hand the administration enters into an agreement and frustrates our ability to carry it out.

For these and other reasons I believe Members of this body have a duty to follow the negotiations with particular care, and a duty to express their concern that we may be wandering in directions that are not productive of the central goal dictated by Congress when it adopted the Jackson amendment.

Mr. President, I reserve the remainder of my time.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator yield?

Mr. BUCKLEY. I am glad to yield to the Senator from Virginia.

Mr. HARRY F. BYRD, JR. I wish to ask the Senator from New York whether the fact that the President and the Secretary of State are going to Russia today for a conference with the Soviet leaders, in itself, would require that a major agreement be made. Could it not be said that the trip could be a successful one merely because the leaders of our Nation and the leaders of the Soviet nation have an opportunity to get together, know one another better, develop greater rapport, and have a dialog on important problems, and visit with each other socially and informally without making specific agreements? That, in itself, might be a good accomplishment.

Mr. BUCKLEY. I fully agree that there is no necessity that each visit at the summit must result in agreements.

I think that any feeling of compulsion to come to some agreement signed by the heads of state of our two nations might frustrate more serious negotiations aimed at harder objectives. In my judgment, there is no reason why the President or the Secretary of State would feel under any pressure to come back with an agreement.

Certainly neither the American people nor this Senator would regard such a trip as a failure because the President came back and announced that nothing had been concluded but that fruitful conversations had been indulged in, that the United States was able to present its position on matters of critical international policy, and that we were able to impress on the Soviet Union that Congress is serious in its objective of holding onto parity as the goal of permanent agreement in the nuclear field.

So I think we should suppress an American characterization. I notice this also in the business world. When someone travels 2,000 or 3,000 miles he feels

under compulsion to come back with a contract. This is a reflection of our impatience. We are dealing with the people of the Soviet Union, people of immense patience and tenacity of purpose, and I hope we can match that tenacity of purpose in our own negotiations.

Mr. HARRY F. BYRD, JR. I agree with the Senator from New York. I think he has rendered a great contribution today in focusing attention on this problem and in making clear that if no agreement were worked out, that in itself might be a desirable way for the President to come back from Moscow. Certainly, it would not be a failure—indeed, it would show strength—and it might meet with the approval of a large majority of the American people.

Mr. BUCKLEY. I fully agree with the Senator from Virginia.

The ACTING PRESIDENT pro tempore. Does the Senator from New York yield back his time?

Mr. BUCKLEY. Mr. President, I reserve the remainder of my time.

## ORDER OF BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order the Senator from North Carolina is recognized for not to exceed 15 minutes.

## UNITED STATES-SOVIET SUMMIT TALKS

Mr. HELMS. Mr. President, I wish to associate myself with the remarks of the distinguished Senator from Virginia (Mr. HARRY F. BYRD, JR.) and my good friend from New York (Mr. BUCKLEY).

I watched with great interest last evening the interview on television with Mr. Solzhenitsyn, and I hope many of our colleagues did likewise. Mr. Solzhenitsyn set forth his exceedingly valid credentials for understanding the closed Soviet society—indeed, the Soviet system. He articulated a very clear warning about détente and the improbability of détente serving the cause of freedom. I share his concern in that regard.

As has been indicated, and as we all know, the President of the United States left this morning for summit talks with the Soviet leaders in Moscow. These talks come at a crucial time in the relationship of the Soviet Union and the United States. Never before has the Soviet Union been so powerful; never before has the United States been so relatively weak. For while we have a high degree of military preparedness, we are physically diminished enervated by a long and damaging debate over the distribution of internal power in our political system, our economy open to strategic attack by flabby fiscal discipline and reckless spending, and even our strategic defensive missile systems are questioned by some elements in our society.

But perhaps the most dangerous aspect of the trip is that it takes place in the euphoria of détente. The pyrotechnic diplomacy of the Secretary of State, the secret meetings with high Soviet officials, and the desire to put together yet one more so-called impossible deal all lend an air of unreality to the meeting. The basic philosophy of détente is that by making accommodations to the will of the Soviet Union we can establish a working relationship that will eventually dissolve the barriers between us. But a so-called working relationship is only a structural relationship. It is a relationship of operational channels that in no way affects the underlying nature of Communist rule. Substantively, it is hollow; philosophically, it destroys the principles of our civilization. We give the Soviets a mechanism through which they can attack our system, which is an open system; but their system remains as closed as ever.

It is particularly dangerous when the summit talks are advertised to be concerned with strategic arms limitation. We are in a delicate stage at the SALT talks. SALT I left us at a considerable disadvantage in numbers; the strategic significance of this disadvantage is only now emerging. At SALT I we underestimated the rate and motivation of Soviet progress in technological improvement. Now we may get an extension of SALT I at the summit. But an extension of the present agreement is not merely a continuation of the present strategic impasse. Our relative strength and strategies have been constantly changing since 1972. To prolong an agreement that was meant to have a definite termination means that the balance of nuclear strategies may inevitably be tipped against us.

The conventional wisdom was that our lead in MIRV technology would enable us to multiply our nuclear warheads and thus keep our match against the Soviet superiority in numbers of launchers and throw weight. But now the public is learning about the so-called fratricide effect, in which studies show that a multitude of warheads arriving at about the same time—the multitude of warheads envisioned in MIRV technology—may very well create electronic conditions under which the warheads would destroy each other instead of the assigned targets.

Thus, once again the single warhead missile, one with greatly improved accuracy, becomes especially important in the nuclear equation. Accuracy may be more important than MIRV; and the corollary is that numbers of launchers may indeed be a decisive strategic advantage.

It is well-known that the structure of the SALT I agreements had a great deal to do with the shape of the final agreement reached in Moscow by the President and Dr. Kissinger. We had what has been called a "front channel" and a "back channel" of negotiations. The "front channel" was the official SALT negotiating team; the "back channel" was the ad hoc, highly secretive diplomacy of Dr. Kissinger. We know that the front channel was closed down well before the summit. What this means is that there was no mechanism for the various agencies associated with nuclear strategy to offer criticism and suggestions. There was no way to crosscheck the substance of the negotiations. The back channel, run by Dr. Kissinger, was highly secret, with the secrets kept even from those who had a need to know, who were responsible for our nuclear strategy.

Some suggestions of the problems this caused have appeared recently in the press. We are told that the Soviets issued a clarification of their understanding of the 950 submarine-launched missiles permitted to the Soviet Union. This official clarification understood that the Soviets would be permitted to keep 70 additional SLBM's on the "G" class diesel submarines—older submarines to be sure. But the Soviets hate to give up anything they have, even though it is apparently obsolescent.

The fact that this clarification existed seems to have been kept secret even from our arms control negotiators. It came in the back channel, and the front channel was not informed. Not even the SALT negotiators knew about the official clarification. The SALT agreement resolution was debated on the floor of the Senate, and the Senate was not told about the clarification. Of course, I was not in the Senate at that time, but some of my distinguished colleagues here today participated in that debate. Several raised the question: What about the 22 "G" class Soviet diesel submarines and the 66 launchers in them? The "G" class submarines were not included in the agreement; but why was the agreement silent about them? What was the meaning of the silence?

Now we are told that a clarification had been reached, before the matter was debated in the Senate. And knowledge of that clarification was not disseminated until months later, long after Congress had ratified the resolution, based upon insufficient information. Then it was given only severely limited distribution.

And now we learn that perhaps numbers are important, that perhaps accuracy is more important than MIRV, because of the fratricide effect. The old launchers in the "G" class submarines would probably not be candidates for the new strategy; but they swell Soviet numbers over all, perhaps releasing more modern Soviet missiles for other roles in Soviet strategy, when Soviet accuracy is improved. No one at this point can determine the significance.

Whatever the substance of this incidence, the structure is the important element, a structure that failed to contain the normal checks and balances of our system. It is a structure typical of Dr. Kissinger's style of diplomacy, and the President's détente policy. It is a structure that carries within itself the seeds of error and imprudence.

Mr. President, I note that the structure of this second summit meeting is unchanged. We still have the front channel and the back channel. The front channel in the SALT II negotiations has not been operating since March of this year. The back channel has been very busy, and it has not had the corrective of internal self-criticism.

I do not know what the Secretary of State will arrange at the summit, if anything. But I know that the structure of such personal diplomacy is fraught with peril for this Nation, and I deplore the

circumstances. I think that our relations with the Soviets would be better if the President were not going at this particular time and under the particular stresses of world events as they have transpired. We would be operating under more realistic circumstances. The Soviets would know just what they could expect, and there would be less opportunity for high-pressure, inadequately prepared agreements. We do not need a repetition of the SALT I situation.

I reserve the remainder of my time.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator from North Carolina yield?

Mr. HELMS. I am delighted to yield to my friend from Virginia.

Mr. HARRY F. BYRD, JR. The Senator from North Carolina raised a very important point when he brought out that at least two memorandums of interpretation were made between the U.S. Government and the Soviet Union and that those memorandums of interpretation were not made available to the Senate when the Senate passed on the interim agreement in 1972.

I think it is vitally important in any subsequent agreement that might be sent to the Senate that the memorandums of understanding or agreement or interpretation, whichever term may be used—all of that information—be submitted to the Senate so that the Senate will have all the facts when it votes on the issue. It did not have all the facts—it has become apparent in the last several days—when the Senate voted in 1972 on the interim agreements.

One other point I might mention in connection with the discussion which has taken place on the floor today. Mr. Paul Nitze, who served as Secretary of the Navy, who served as Deputy Secretary of Defense, and until just recently was our top negotiator, along with Ambassador Alexis Johnson, for the strategic arms limitation talks, testified before the Senate Armed Services Committee under oath this past week. He stated the Russians demanded concessions after concessions, and the more concessions made to them, the more demands they made.

I think the concern of many of us in the Senate is that at the meeting in Moscow there may be additional demands, and I think one advantage of discussions like those taking place in the Senate today would be to encourage the U.S. leaders to stand firm, knowing that they will have considerable support for that position when they return.

Mr. HELMS. I thank the Senator for his cogent remarks. Like the distinguished Senator from Virginia, I have not been able to understand why knowledge of the so-called clarification was withheld from the Congress and from our negotiators as well.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator yield at that point?

Mr. HELMS. I am delighted to yield.

Mr. HARRY F. BYRD, JR. Mr. Nitze also testified that the American negotiators learned of one of these agreements from their Russian counterparts.

Mr. HELMS. That is exactly correct.

Mr. HARRY F. BYRD, JR. It is an astonishing development.

Mr. HELMS. It certainly is.

Mr. BUCKLEY. Mr. President, will the Senator yield?

Mr. HELMS. I am glad to yield.

Mr. BUCKLEY. First of all, I commend the distinguished Senator from North Carolina on a forceful statement to point up the dangers we invite when the appropriate people do not know what is happening and, in particular, when we do not have appropriate technical advice available to those who are negotiating the final terms.

It is easy to brush off some discrepancies of 5 or 10 percent in allowable warheads with talk about esoteric details. Unfortunately, when one is dealing with life and death, when one is dealing with the survival of the United States and of its allies, the esoteric details achieve enormous significance, and I would like to illustrate with another one of these ambiguities in the precise meaning of the language of the Interim Agreement.

I am talking about the ambiguity as to what precisely is meant in terms of the dimensions of the existing silos. We know the Soviets have developed a kind of popup procedure or a technique by which they can utilize depth and width with an effect that allows them, apparently, to increase by 50 percent the permissible payload deliverable capacity of their land-based systems. These surely are important details that need to be understood, and need to be understood by those who would presume to commit this country to serious negotiations.

So I hope, Mr. President, that an effect of this colloquy today will be to telegraph to the Soviets and to our negotiators the fact that the Senate is concerned over the shape of the negotiations now in progress; that we do intend to ask the relevant questions in the future.

The ACTING PRESIDENT pro tempore. The 15 minutes of the Senator from North Carolina have expired. The Senator from New York has 4 more minutes, and the Senator from Virginia has 5.

Mr. BUCKLEY. Mr. President, as I was saying, I believe it is important that we make certain that all individuals concerned understand that the Senate does not intend to ratify new agreements without knowing all the details; that the relevant questions will be asked; and that certainly, as I understand, the United States is bound only by those agreements that are ratified by the U.S. Senate, with the explicit knowledge of the details; and that if there are understandings and memoranda that controvene what the Senate believes the Senate is ratifying, they are of no force and effect.

Mr. HELMS. Mr. President, I commend the distinguished Senator for his forceful statement. I hope that it will become a statement of policy by the U.S. Senate, because if we continue to let secret deals, secret negotiations——

The ACTING PRESIDENT pro tempore. The time of the Senator from North Carolina has expired. Does the Senator from New York yield time?

Mr. BUCKLEY. Mr. President, I yield such time as the Senator from North Carolina wishes.

Mr. HELMS. If we continue to be guided be secret negotiations by half of our negotiators, we are headed inescapably for peril. I do hope, as the Senator from New York has said, that the message gets through not only to the Soviet Union but to some of the people within our own Government as well.

I thank the distinguished Senator for his kindness.

Mr. McCLURE. Mr. President, will the Senator from New York yield to me?

Mr. BUCKLEY. Mr. President, I am glad to yield to the Senator from Idaho.

Mr. McCLURE. I thank the Senator for yielding. I commend him not only for a thoughtful statement, but also for the opportunity to point up one other instance in which Congress was not fully informed of information about which the administration had in dealing with the arms limitations that may be negotiated with the Soviet Union.

I refer to the space treaty. At the time we were developing space technology we thought it desirable and necessary to enter into an international treaty denying the use of space as a platform for any weapons system.

At the time we were negotiating that treaty, and at the time we were arguing it in Congress, the Soviet Union conducted a series of tests of what became known as the fractional orbiting bombing system—the FOBS. The only reply I could ever get from our own State Department was that FOBS was not a violation of the space treaty, because it was never placed in orbit, because it went only a portion of the orbit around the Earth.

That kind of semantics simply seemed to me to indicate a desire on the part of some people in our State Department to get an agreement with the Soviet Union without regard to the danger to our country or without regard to whether the Soviet Union really desires to comply with the spirit of those agreements.

I thought the actions taken by our State Department at that time were absolutely incredible. The revelations made in the statement by the Senator from North Carolina are equally incredible: that there can be secret agreements which are not revealed to Congress at the time Congress is asked to ratify a treaty which has fundamental importance to the safety of our country.

I again thank the Senator from New York for yielding; and I thank the Senator from North Carolina for the perceptive statement that he has made.

Mr. HARRY F. BYRD, JR. Mr. President, in concluding, I want to emphasize that I favor a dialog between the leaders of the great powers. I was one of the first Senators—maybe the first—to commend President Nixon publicly when it was first announced that he would go to Peking, and for the first time have consultation with the leaders of Mainland China. So I think a dialog and a getting together of the leadership of the various countries are important and desirable.

I want to commend, too, Secretary Kissinger for the work which he did in the Middle East. I think the President's trip to the Middle East was worthwhile. I think it can help cement new relationships that were initiated by the Secretary of State.

I have some question as to whether the United States should supply nuclear reactors to the Middle East countries, but I am willing to keep an open mind on that point until we can get additional details.

But overall I think the President's trip to the Middle East was worthwhile.

The upcoming Moscow trip presents a somewhat different problem, as the Senator from New York, the Senator from North Carolina, and the Senator from Idaho all have pointed out today. It is not the trip itself that concerns me; it is not the dialog with the leadership of the Russians that concerns me; it is the agreements, some agreements that have been made and other agreements that may be made, that give the Senator from Virginia concern.

I am pleased today to associate myself with the able Senator from New York, the able Senator from North Carolina, the able Senator from Idaho, and the able Senator from West Virginia, the majority whip, in saying that we stand foursquare behind the President and wish him the best of luck in his forthcoming discussions with the Soviet Union. And I express the view that perhaps one of the best solutions would be if the President and the Secretary of State would take a strong position in their negotiating with the Russians—even if it means that no agreements are reached. That in itself, as the able Senator from New York pointed out earlier, might very well be good news for the future, because it would indicate to the Russians that there is a point beyond which the United States will not go in making concessions.

Russia already has benefited greatly from so-called détente. She has obtained numerical superiority in nuclear strategic weapons—and she has benefited to the extent of hundreds of millions of dollars of U.S. tax funds.

## PRIVILEGE OF THE FLOOR

Mr. EAGLETON. Mr. President, I ask unanimous consent that my assistant, Mr. Andrew Carson, have the privilege of the floor during the pendency of the debt ceiling bill.

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

## ORDER OF BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, the Senator from Wyoming (Mr. HANSEN) is recognized.

(The remarks Senator HANSEN and Senator TOWER made at this point, relating to the bills they jointly introduced and the ensuing discussion are printed in the Routine Morning Business section of the RECORD under Statements on Introduced Bills and Joint Resolutions.)

## ORDER OF BUSINESS

The PRESIDING OFFICER. Under the previous order, the Senator from Rhode Island (Mr. PASTORE) is recognized for not to exceed 15 minutes.

Mr. PASTORE. I thank the Chair.

(The remarks made at this point on the introduction of S. 3698, relating to international agreements on nuclear technology, are printed in the RECORD under Statements on Introduced Bills and Joint Resolutions.)

## MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Marks, one of his secretaries.

## EXECUTIVE MESSAGES REFERRED

As in executive session, the Presiding Officer (Mr. BIDEN) laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

## TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that instead of 15 minutes for routine morning business, the time be reduced to 10 minutes.

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

Under the previous order, there will now be a period for the transaction of routine morning business of not to exceed 10 minutes, with statements therein limited to 5 minutes each.

## SIMON SAYS BALANCE THE BUDGET

Mr. HARRY F. BYRD, JR. Mr. President, it was very refreshing yesterday for the Senator from Virginia to see, on television, a member of the administration firmly and unequivocally advocating a balanced budget. I refer to the appearance of the Secretary of the Treasury, Mr. William Simon.

Offhand, I cannot recall any other such incident in the last few years, where a high official of the administration has gone on television and unequivocally called for a balanced budget.

I commend Secretary Simon. It is important that this Nation get back to a balanced budget. The budget of the Government of the United States—the Federal funds budget—has been balanced only three times in 20 years. It has not been balanced since President Eisenhower left office.

The deficits are increasing. For the short 6-year period ending June 30, 1975, the accumulated Federal funds deficit will be $133 billion. That is 25 percent of the total national debt of this Nation which will be accumulated in that short period of time. That is why we have this smashing inflation.

I submit that we are not going to get inflation under control until we get the cost of Government under control.

We will not get inflation under control until we eliminate the $20 billion, $25 billion, $30 billion deficits that the Federal Government has been running.

The new Secretary of the Treasury is attempting to tackle this problem. He is forthright. He says what needs to be done. I hope that he can accomplish his objective. He has a tough fight on his hands because the words "balanced budget" are not very popular words in Washington, D.C. For that reason also I commend the Secretary of the Treasury and I wish him well in this endeavor.

## HOUSING AND URBAN DEVELOPMENT ACT OF 1974

Mr. SPARKMAN. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on S. 3066.

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to S. 3066, to consolidate, simplify, and improve laws relative to housing assistance, to provide Federal assistance in support of community development activities, and for other purposes, which were to strike out all after the enacting clause, and insert:

That this Act may be cited as the "Housing and Urban Development Act of 1974".

### TITLE I—COMMUNITY DEVELOPMENT BLOCK GRANTS

#### PURPOSE

SEC. 101. It is the purpose of this title to further the development of a national urban growth policy by consolidating a number of complex and overlapping programs of financial assistance to communities of varying sizes and needs into a consistent system of Federal aid which—

(1) provides assistance on an annual basis, with maximum certainly and minimum delay, upon which communities can rely in their planning;

(2) encourages community development activities which are consistent with comprehensive local and areawide development planning;

(3) furthers achievement of the national housing goal of a decent home and a suitable living environment for every American family; and

(4) fosters the undertaking of housing and community development activities in a coordinated and mutually supportive manner.

#### DEFINITIONS

SEC. 102. (a) As used in this title—

(1) The term "unit of general local government" means any city, county, town, township, parish, village, or other general purpose political subdivision of a State or of Guam, the Virgin Islands, or American Samoa; a combination of such political subdivisions recognized by the Secretary; the District of Columbia; the Trust Territory of the Pacific Islands; and Indian tribes, bands, groups, and nations, including Alaska Indians, Aleuts, and Eskimos, of the United States. Such term also includes a State or a local public body or agency as defined in section 711 of the Housing and Urban Development Act of 1970, a community association, or other entity which is approved by the Secretary for the purpose of providing public facilities or services to a new community as part of a program meeting the eligibility standards of section 712 of the

Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968.

(2) The term "State" means any State of the United States, or instrumentality thereof approved by the Governor; and the Commonwealth of Puerto Rico.

(3) The term "metropolitan area" means a standard metropolitan statistical area, as established by the Office of Management and Budget.

(4) The term "metropolitan city" means (A) a city within a metropolitan area which is the central city of such area, as defined and used by the Office of Management and Budget, or (B) any other city, within a metropolitan area, which has a population of fifty thousand or more.

(5) The term "city" means (A) any unit of general local government which is classified as a municipality by the United States Bureau of the Census or (B) any other unit of general local government which is a town or township and which, in the determination of the Secretary, (i) possesses powers and performs functions comparable to those associated with municipalities, (ii) is closely settled, and (iii) contains within its boundaries no incorporated places as defined by the United States Bureau of the Census.

(6) The term "urban county" means any county within a metropolitan area which (A) is authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas, if any, which are not units of general local government, and (B) has a combined population of two hundred thousand or more (excluding the population of metropolitan cities therein) in such unincorporated areas and in its included units of general local government (i) in which it has authority to undertake essential community development and housing assistance activities and which do not elect to have their population excluded or (ii) with which it has entered into cooperation agreements to undertake or to assist in the undertaking of essential community development and housing assistance activities.

(7) The term "population" means total resident population based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

(8) The term "extent of poverty" means the number of persons whose incomes are below the poverty level. Poverty levels shall be determined by the Secretary pursuant to criteria provided by the Office of Management and Budget, taking into account and making adjustments, if feasible and appropriate and in the sole discretion of the Secretary, for regional or area variations in income and cost of living, and shall be based on data referable to the same point or period in time.

(9) The term "extent of housing overcrowding" means the number of housing units with 1.01 or more persons per room based on data compiled by the United States Bureau of the Census and referable to the same point or period of time.

(10) The term "Federal grant-in-aid program" means a program of Federal financial assistance other than loans and other than the assistance provided by this title.

(11) The term "program period" means the period beginning January 1, 1975, and ending June 30, 1975, and the period covering each fiscal year thereafter.

(12) The term "Secretary" means the Secretary of Housing and Urban Development.

(b) Where appropriate, the definitions in subsection (a) shall be based on the most recent data compiled by the United States Bureau of the Census and the latest published reports of the Office of Management and Budget available ninety days prior to the beginning of each fiscal year. The Secretary may by regulation change or otherwise modify the meaning of the terms defined in subsection (a) in order to reflect any technical change or modification thereof made subsequent to such date by the United States Bureau of the Census or the Office of Management and Budget.

AUTHORIZATION TO MAKE GRANTS

SEC. 103. (a) The Secretary is authorized to make grants to States and units of general local government to help finance Community Development Programs approved in accordance with the provisions of this title. The Secretary is authorized to incur obligations on behalf of the United States in the form of grant agreements or otherwise in amounts aggregating such sum, not to exceed $8,050,000,000, as may be approved in an appropriation Act. The amount so approved shall become available for obligation on January 1, 1975, and shall remain available until obligated. There are authorized to be appropriated for liquidation of the obligations incurred under this subsection not to exceed $2,450,000,000 prior to July 1, 1975, which amount may be increased to not to exceed an aggregate of $5,100,000,000 prior to July 1, 1976, and to not to exceed an aggregate of $8,050,000,000 prior to July 1, 1977.

(b) In addition to the amounts made available under subsection (a), and for the purpose of facilitating an orderly transition to the program authorized for this title, there is authorized to be appropriated not to exceed $100,000,000 for each of the fiscal years 1975, 1976, and 1977 for grants under this title to units of general local government having urgent community development needs which cannot be met through the operation of the allocation provisions of section 106.

(c) Sums appropriated pursuant to this section shall remain available until expended.

(d) To assure program continuity and orderly planning, the Secretary shall submit to the Congress authorization requests for the fiscal years 1978 through 1980 not later than February 1, 1976.

APPLICATION AND REVIEW REQUIREMENTS

SEC. 104. (a) No grant may be made pursuant to section 106 unless an application shall have been submitted to the Secretary in which the applicant—

(1) identifies community development needs and specifies both short- and long-term community development objectives which have been developed in accordance with areawide development planning and national urban growth policies;

(2) formulates a program which (A) includes the activities to be undertaken to meet its community development needs and objectives, together with the estimated costs and general location of such activities, and (B) takes into account appropriate environmental factors;

(3) submits a housing assistance plan which—

(A) accurately surveys the condition of the housing stock in the community and assesses the housing assistance needs of lower income persons (including elderly and handicapped persons and persons displaced or to be displaced) residing in or expected to reside in the community,

(B) specifies a realistic annual goal for the number of dwelling units or persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units, and (ii) the size and types of housing projects and assistance best suited to the needs of lower income persons in the community, and

(C) indicates the general locations of proposed housing for lower income persons, with the objective of (i) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible, (ii) promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons and (iii) assuring the availability of public facilities and services adequate to serve proposed housing projects;

(4) provides satisfactory assurances that the program will be conducted and administered in conformity with Public Law 88-352 and Public Law 90-284;

(5) provides satisfactory assurances that, prior to submission of its application, it has (A) provided citizens likely to be affected by proposed community development and housing activities with adequate information concerning the amount of funds available for such activities, the range of activities that may be undertaken, and other important program requirements, (B) held public hearings to obtain the views of such citizens on community development and housing needs, and (C) provided such citizens an adequate opportunity to participate in the development of the application; but no part of this paragraph shall be construed to restrict the responsibility and authority of the applicant for the development of the application and the execution of the Community Development Program; and

(6) in the case of an applicant which is a metropolitan city or urban county—

(A) outlines a three-year schedule of anticipated program activities and indicates resources other than those provided under this title which are expected to be made available toward meeting its identified needs and objectives;

(B) provides for the periodic reexamination of program methods and objectives as information becomes available on the social, economic, and environmental consequences of program activities; and

(C) describes a program designed to—

(i) eliminate or prevent slums, blight, and deterioration where such conditions or needs exist; and

(ii) provide improved community facilities and public improvements, including the provision of supporting health, social, and similar services where necessary and appropriate.

(b) The Secretary shall approve an application for an amount which does not exceed the amount determined in accordance with section 106(a) unless—

(1) on the basis of significant facts and data, generally available and pertaining to community and housing needs and objectives, the Secretary determines that the applicant's description of such needs and objectives is plainly inconsistent with such facts or data; or

(2) on the basis of the application, the Secretary determines that the activities to be undertaken are plainly inappropriate to meeting the needs and objectives identified by the applicant pursuant to subsection (a); or

(3) the Secretary determines that the application does not comply with the requirements of this Act or other applicable law or proposes activities which are ineligible under this Act;

except that the Secretary may accept a certification from the applicant that it has complied with the requirements of paragraphs (4), (5), and (6)B of subsection (a).

(c) Prior to the beginning of fiscal year 1976 and each fiscal year thereafter, each grantee shall submit to the Secretary a performance report concerning the activities carried out pursuant to this title, together with an assessment by the grantee of the relationship of those activities to the objectives of this title and the needs and objectives identified in the grantee's statement submitted pursuant to subsection (a).

The Secretary shall at least on an annual basis make such reviews and audits as may be necessary or appropriate to determine whether the grantee has carried out a program substantially as described in its application, whether that program conformed to the requirements of this title and other applicable laws, and whether the applicant has a continuing capacity to carry out in a timely manner the approved Community Development program. The Secretary may make appropriate adjustments in the amount of the annual grants in accordance with his findings pursuant to this subsection.

(d) No grant may be made under this title unless the application therefor has been submitted for review and comment to an areawide agency under procedure established by the President pursuant to title II of the Demonstration Cities and Metropolitan Development Act of 1966 and title IV of the Intergovernmental Cooperation Act of 1968.

(e) An application subject to section 104(b), if submitted after any date established by the Secretary for consideration of applications, shall be deemed approved within sixty days after receipt unless the Secretary informs the applicant of the specific reasons of disapproval. Subsequent to approval of the application, the amount of the grant may be adjusted in accordance with the provisions of this title.

(f) Insofar as they relate to funds provided under this title, the financial transactions of recipients of such funds may be audited by the General Accounting Office under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, records, reports, files, and other papers, things, or property belonging to or in use by such recipients pertaining to such financial transactions and necessary to facilitate the audit.

(g)(1) In order to assure that the policies of the National Environmental Policy Act of 1969 are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary, in lieu of the environmental protection procedures otherwise applicable, may under regulations provide for the release of funds for particular projects to applicants who assume all of the responsibilities for environmental review, decisionmaking, and action pursuant to such Act that would apply to the Secretary were he to undertake such projects as Federal projects. The Secretary shall issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality.

(2) The Secretary shall approve the release of funds for projects subject to the procedures authorized by this subsection only if, at least fifteen days prior to such approval and prior to any commitment of funds to such projects other than for purposes authorized by section 105(a)(11) or for environmental studies, the applicant has submitted to the Secretary a request for such release accompanied by a certification which meets the requirements of paragraph (3). The Secretary's approval of any such certification shall be deemed to satisfy his responsibilities under the National Environmental Policy Act insofar as those responsibilities relate to the applications and releases of funds for projects to be carried out pursuant thereto which are covered by such certification.

(3) A certification under the procedures authorized by this subsection shall—

(A) be in a form acceptable to the Secretary,

(B) be executed by the chief executive officer or other officer of the applicant qualified under regulations of the Secretary.

(C) specify that the applicant has fully carried out its responsibilities as described under paragraph (1) of this subsection, and

(D) specify that the certifying officer (i) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 insofar as the provisions of such Act apply pursuant to paragraph (1) of this subsection, and (ii) is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

COMMUNITY DEVELOPMENT PROGRAM ACTIVITIES ELIGIBLE FOR ASSISTANCE

SEC. 105. (a) A community development program assisted under this title may include—

(1) the acquisition of real property (including air rights, water rights, and other interests therein) which is (A) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (B) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (C) to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or (D) to be used for other public purposes;

(2) the acquisition, construction, reconstruction, or installation of public works, facilities, and site or other improvements—including neighborhood facilities, senior centers, historic properties, utilities, streets, street lights, parking facilities, water and sewer facilities, solid waste disposal facilities, flood and drainage facilities, foundations and platforms for air rights sites, pedestrian malls, and walkways, parks, and playgrounds;

(3) code enforcement in deteriorated or deteriorating areas in which such enforcement, together with public improvements and services to be provided, may be expected to arrest the decline of the area;

(4) clearance, demolition, removal, and rehabilitation of buildings and improvements (including financing rehabilitation of privately owned properties when incidental to other activities);

(5) special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;

(6) payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by program activities under this title;

(7) disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to this title or its retention for public purposes;

(8) provision of health, social, counseling, training, economic development, and similar services necessary to support other approved activities assisted under this title;

(9) payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of the Community Development Program;

(10) relocation payments and assistance for individuals, families, businesses, organizations, and farm operations displaced by activities assisted under this title;

(11) activities necessary (A) to develop a comprehensive plan, and (B) to develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning implementation; and

(12) payment of reasonable administrative costs related to the planning and execution of community development and housing activities.

(b) In the case of a grant to finance the rehabilitation of privately owned property, the State or unit of general local government shall take appropriate steps to assure that, if the property is sold or transferred by the owner within one year of the date on which the grant was made, the entire amount of the grant shall be repayable to the State or unit of general local government; if it is sold or transferred more than one but not more than two years after such date, at least three-fourths of the amount of the grant shall be repayable; if it is sold or transferred more than two but not more than three years after such date, at least one-half of the amount of the grant shall be repayable; and if it is sold or transferred more than three but not more than four years after such date, at least one-fourth of the amount of the grant shall be repayable. The requirements of this subsection may be waived by the State or unit of general local government where it determines that such waiver is necessary for the execution of the Community Development Program or to avoid hardship to the owner of the rehabilitated property.

(c) Upon the request of the recipient of a grant under this title, the Secretary may agree to perform administrative services on a reimbursable basis on behalf of such recipient in connection with the rehabilitation of properties as authorized under paragraph (4) of subsection (a).

ALLOCATION AND DISTRIBUTION OF FUNDS

SEC. 106. (a) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with section 107), 80 per centum shall be allocated by the Secretary to metropolitan areas. Except as provided in subsections (c) and (e), each metropolitan city and urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to annual grants from such allocation in an aggregate amount not exceeding the greater of its basic amount computed pursuant to subsection (b) (2) or (3) or its hold-harmless amount computed pursuant to subsection (g).

(b)(1) The Secretary shall determine the amount to be allocated to all metropolitan cities which shall be an amount that bears the same ratio to the allocation for all metropolitan areas as the average of the ratios between—

(A) the population of all metropolitan cities and the population of all metropolitan areas;

(B) the extent of poverty in all metropolitan cities and the extent of poverty in all metropolitan areas; and

(C) the extent of housing overcrowding in all metropolitan cities and the extent of housing overcrowding in all metropolitan areas.

(2) From the amount allocated to all metropolitan cities the Secretary shall determine for each metropolitan city a basic grant amount which shall equal an amount that bears the same ratio to the allocation for all metropolitan cities as the average of the ratios between—

(A) the population of that city and the population of all metropolitan cities;

(B) the extent of poverty in that city and the extent of poverty in all metropolitan cities; and

(C) the extent of housing overcrowding in that city and the extent of housing overcrowding in all metropolitan cities.

(3) The Secretary shall determine the basic grant amount of each urban county by—

(A) calculating the total amount that would have been allocated to metropolitan cities and urban counties together under paragraph (1) of this subsection if data pertaining to the population, extent of poverty, and extent of housing overcrowding in all urban counties were included in the numerator of each of the fractions described in such paragraph; and

(B) determining for each county the amount which bears the same ratio to the total amount calculated under subparagraph (A) of this paragraph as the average of the ratios between—

(i) the population in that urban county and the population in all metropolitan cities and urban counties;

(ii) the extent of poverty in that urban county and the extent of poverty in all metropolitan cities and urban counties; and

(iii) the extent of housing overcrowding in that urban county and the extent of housing overcrowding in all metropolitan cities and urban counties.

(4) In determining the average of ratios under paragraphs (1), (2), and (3), the ratio involving the extent of poverty shall be counted twice.

(5) In computing amounts or exclusions under this section with respect to any urban county there shall be excluded units of general local government located in the county (A) which receive hold-harmless grants pursuant to subsection (h), or (B), the populations of which are not counted in determining the eligibility of the urban county to receive a grant under this subsection.

(c) During the first three years for which funds are approved for distribution to a metropolitan city or urban county under this section, the basic grant amount of such city or county as computed under subsection (b) shall be adjusted as provided in this subsection if the amount so computed for the first such year exceeds the city's or county's hold-harmless amount as determined under subsection (g). Such adjustment shall be made so that—

(1) the amount for the first year does not exceed one-third of the full basic grant amount computed under subsection (b), or the hold-harmless amount, whichever is the greater,

(2) the amount for the second year does not exceed two-thirds of the full basic grant amount computed under subsection (b), or the hold-harmless amount, or the amount allowed under paragraph (1) of this subsection, whichever is the greatest, and

(3) the amount for the third year does not exceed the full basic grant amount computed under subsection (b).

(d) Any portion of the amount allocated to metropolitan areas under the first sentence of subsection (a) which remains after the allocation of grants to metropolitan cities and urban counties in accordance with subsections (b) and (c) shall be allocated by the Secretary—

(1) first, for grants to metropolitan cities, urban counties, and other units of general local government within metropolitan areas to meet their hold-harmless needs as determined under subsections (g) and (h); and

(2) second, for grants to units of general local government and States for use in metropolitan areas, allocating for each such metropolitan area an amount which bears the same ratio to the allocation for all metropolitan areas available under this paragraph as the average of the ratios between—

(A) the population of that metropolitan area and the population of all metropolitan areas,

(B) the extent of poverty in that metropolitan area and the extent of poverty in all metropolitan areas, and

(C) the extent of housing overcrowding in that metropolitan area and the extent of housing overcrowding in all metropolitan areas.

In determining the average of ratios under this paragraph, the ratio involving the extent of poverty shall be counted twice; and in computing amounts under this paragraph there shall be excluded any metropolitan cities, urban counties, and units of general local government which receive hold-harmless grants pursuant to subsection (h).

(e) Any amounts allocated to a metropolitan city or urban county pursuant to the preceding provisions of this section, and any portions of the remainder of the allocation for a metropolitan area available for distribution pursuant to subsection (d), which are not approved by the Secretary for distribution to such city or county or in such metropolitan area shall be distributed in a timely manner, within the same or the succeeding program period, to State, metropolitan cities, urban counties, and other units of general local government for use, first, in any metropolitan area in the same State, and second, in any other metropolitan area.

(f)(1) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with section 107), 20 per centum shall be allocated by the Secretary—

(A) first, for grants to units of general local government outside of metropolitan areas to meet their hold-harmless needs as determined under subsection (h); and

(B) second, for grants to units of general local government outside of metropolitan areas and States for use outside of metropolitan areas, allocating for the nonmetropolitan areas of each State an amount which bears the same ratio to the allocation available under this paragraph for the nonmetropolitan areas of all States as the average of the ratios between—

(i) the population of the nonmetropolitan areas of that State and the population of the nonmetropolitan areas of all the States,

(ii) the extent of poverty in the nonmetropolitan areas of that State and the extent of poverty in the nonmetropolitan areas of all the States, and

(iii) the extent of housing overcrowding in the nonmetropolitan areas of that State and the extent of housing overcrowding in the nonmetropolitan areas of all the States.

In determining the average of ratios under this paragraph, the ratio involving the extent of poverty shall be counted twice; and in computing amounts under this paragraph there shall be excluded units of general local government which receive hold harmless grants pursuant to subsection (h).

(2) Any amounts allocated to a unit of general local government under paragraph (1)(A) or to a State under paragraph (1)(B) which are not approved by the Secretary for distribution to such unit of general local government or in such State shall be distributed, in a timely manner, within the same or the succeeding program period, to States or units of general local government for use in any nonmetropolitan area.

(g)(1) the full hold-harmless amount of each metropolitan city or urban county shall be the sum of (i) the sum of the average during the five fiscal years ending prior to July 1, 1972, of (1) commitments for grants (as determined by the Secretary) pursuant to part A of title 1 of the Housing Act of 1949; (2) loans pursuant to section 312 of the Housing Act of 1964; (3) grants pursuant to sections 702 and 703 of the Housing and Urban Development Act of 1965; (4) loans pursuant to title II of the Housing Amendments of 1955; and (5) grants pursuant to title VII of the Housing Act of 1961; and (ii) the average annual grant, as determined by the Secretary, made in accordance with part B of title I of the Housing Act of 1949 during the fiscal years ending prior to July 1, 1972, or during the fiscal year 1973 in the case of a metropolitan city or urban county which first received a grant under part B of such title in such fiscal year. In the case of a metropolitan city or urban county program under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 which has been funded or extended in the fiscal year 1973 for a period ending after June 30, 1973, determinations of the hold-harmless amount of such metropolitan city or urban county shall be made so as to include, in addition to the amounts specified in clauses (i) and (ii) of the preceding sentence, an amount equal to the average annual grant, as determined by the Secretary, made during fiscal years ending prior to July 1, 1972, in accordance with such section; except that such amount shall be added annually only for a number of years which, when added to the number of funding years for which the city or county received grants under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966, equals five. For the purposes of this paragraph the average annual grant under part B of title I of the Housing Act of 1949 or under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 shall be established by dividing the total amount of grants made to a participant under the program by the number of months of program activity for which funds were authorized and multiplying the result by twelve.

(2) During the fiscal years 1975, 1976, and 1977, the hold-harmless amount of any metropolitan city or urban county shall be the full amount computed for the city or county in accordance with paragraph (1). In fiscal years 1978, 1979, and 1980, if such amount is greater than the basic grant amount of the metropolitan city or urban county for that year, as computed under paragraph (2) of subsection (b), it shall be reduced so that—

(i) in the fiscal year 1978, the excess of the hold-harmless amount over the basic grant amount shall equal two-thirds of the difference between the amount computed under paragraph (1) and the basic grant amount for such year,

(ii) in the fiscal year 1979, the excess of the hold-harmless amount over the basic grant amount shall equal one-third of the difference between the amount computed under paragraph (1) and the basic grant amount for such year, and

(iii) in the fiscal year 1980, there shall be no excess of the hold-harmless amount over the basic grant amount.

(h)(1) Any unit of general local government which is not a metropolitan city or urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to grants under this title for any year in an aggregate amount at least equal to its hold-harmless amount as computed under the provisions of subsection (g)(1), if, during the five fiscal years ending prior to July 1, 1974, one or more urban renewal projects, neighborhood development programs, or model cities programs were being carried out by such unit of general local government pursuant to commitments for assistance entered into during such five-year period under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966.

(2) In the fiscal years 1978, 1979, and 1980, in determining the hold-harmless amount of units of general local government qualifying under this subsection, the second sentence of subsection (g)(2) shall be applied as though such units were metropolitan cities or urban counties with basic grant amount of zero.

(i) In excluding the population, poverty, and housing overcrowding data of units of general local government which receive a hold-harmless grant pursuant to subsection (h) from the computations described in subsections (b)(5), (d), and (f) of this section, the Secretary shall exclude two-thirds of such data for fiscal year 1978 and one-third of such data for fiscal year 1979.

(j) Any unit of general local government eligible for a hold-harmless grant pursuant to subsection (h) may, not later than thirty days prior to the beginning of any program period, irrevocably waive its eligibility under such subsection. In the case of such a waiver the unit of general local government shall not be excluded from the computations described in subsections (b)(5), (d), and (f) of this section.

(k) The Secretary may fix such qualification or submission dates as he determines are necessary to permit the computations and determinations required by this section to be made in a timely manner, and all such computations and determinations shall be final and conclusive.

DISCRETIONARY FUND

SEC. 107. (a) Of the total amount appropriated for liquidation of obligations under the fourth sentence of section 103(a) for each of the fiscal years 1975, 1976, and 1977, an amount equal to 2 per centum thereof shall be reserved and set aside in a special discretionary fund for use by the Secretary in making grants (in addition to any other grants which may be made under this title to the same entities or for the same purposes)—

(1) in behalf of new communities assisted under title VII of the Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968;

(2) to States and units of general local government which join in carrying out housing and community development programs that are areawide in scope;

(3) in Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands;

(4) to States and units of general local government for the purpose of demonstrating innovative community development projects;

(5) to States and units of general local government for the purpose of meeting emergency community development needs caused by federally recognized disasters; and

(6) to States and units of general local government where the Secretary deems it necessary to correct inequities resulting from the allocation provisions of section 106.

(b) Not more than one-fourth of the total amount reserved and set aside in the special discretionary fund under subsection (a) for each year may be used for grants to meet emergency disaster needs under subsection (a)(5).

(c) Amounts reserved and set aside in the special discretionary fund under subsection (a) in any fiscal year but not used in such year shall remain available for use in accordance with subsections (a) and (b) in subsequent fiscal years.

GUARANTEE OF LOANS FOR ACQUISITION OF PROPERTY

SEC. 108. (a) The Secretary is authorized upon such terms and conditions as he may prescribe, to guarantee and make commitments to guarantee the notes or other obligations issued by units of general local government, or by public agencies designated by such units of general local government, for the purpose of financing the acquisition of real property (including such expenses related thereto as the Secretary may permit by regulation) to serve or be used in carrying out activities which are eligible for assistance under section 105 and are identified in the application under section 104, and with respect to which grants have been or are to be made under section 103, but no such guarantee shall be issued in behalf of any agency designed to benefit, in or by the flotation of any issue, a private individual or corporation.

(b) No guarantee or commitment to guarantee shall be made with respect to any unit of general local government or public agency designated by any such unit of general local government unless—

(1) the Secretary, from sums approved in appropriation Acts and allocated for obligation to the unit of general local government pursuant to sections 106 and 107, shall have reserved and withheld, for the purpose of paying the guaranteed obligations (including interest), an amount which is at least equal to 110 per centum of the difference between the cost of acquiring the land and related expenses and the estimated proceeds to be derived from the sale or other disposition of the land, as determined or approved by the Secretary, which amount may subsequently be increased by the Secretary to the extent he determines such increase is necessary or appropriate because of any unanticipated, major reduction in such estimated disposition proceeds;

(2) the unit of general local government shall have given to the Secretary, in a form acceptable to him, a pledge of its full faith and credit for the repayment of so much of any amount required to be paid by the United States pursuant to any guarantee under this section as is equal to the difference between the principal amount of the guaranteed obligations and interest thereon and the amount which is to be reserved and withheld under paragraph (1); and

(3) the unit of general local government has pledged to the prepayment of any amounts which are required to be paid by the United States pursuant to its guarantee under this section, and which are not otherwise fully repaid when due pursuant to paragraphs (1) and (2), the proceeds of any grants to which such unit of general local governments may become eligible for under this title.

(c) The full faith and credit of the United States is pledged to the payment of all guarantees made under this section. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligations for such guarantee with respect to principal and interest, and the validity of any such guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligations.

(d) The Secretary may issue obligations to the Secretary of the Treasury in an amount outstanding at any one time sufficient to enable the Secretary to carry out his obligations under guarantees authorized by this section. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which such securities may be issued under such Act are extended to include the purchases of the Secretary's obligations hereunder.

(e) Obligations guaranteed under this section may, at the option of the issuing unit of general local government or designated agency, be subject to Federal taxation as provided in subsection (g). In the event that taxable obligations are issued and guaranteed, the Secretary is authorized to make, and to contract to make, grants to or on behalf of the issuing unit of general local government or public agency to cover not to exceed 30 per centum of the net interest cost (including such servicing, underwriting, or other costs as may be specified in regulations of the Secretary) to the borrowing unit or agency of such obligations.

(f) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding at the end thereof a new paragraph as follows:

"(22) For payments required from time to time under contracts entered into pursuant to section 108 of the Housing and Urban Development Act of 1974 for payment of interest costs on obligations guaranteed by the Secretary of Housing and Urban Development under that section."

(g) With respect to any obligation issued by a unit of general local government or designated agency which such unit or agency has elected to issue as a taxable obligation pursuant to subsection (e) of this section, the interest paid on such obligation shall be included in gross income for the purpose of chapter 1 of the Internal Revenue Code of 1954.

NONDISCRIMINATION

SEC. 109. (a) No person in the United States shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

(b) Whenever the Secretary determines that a State or unit of general local government which is a recipient of assistance under this title has failed to comply with subsection (a) or an applicable regulation, he shall notify the Governor of such State or the chief executive officer of such unit of local government of the noncompliance and shall request the Governor or the chief executive officer to secure compliance. If within a reasonable period of time, not to exceed sixty days, the Governor or the chief executive officer fails or refuses to secure compliance, the Secretary is authorized to (1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d); (3) exercise the powers and functions provided for in section 111 of this Act; or (4) take such other action as may be provided by law.

(c) When a matter is referred to the Attorney General pursuant to subsection (b), or whenever he has reason to believe that a State government or unit of local government is engaged in a pattern or practice in violation of the provisions of this section, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

LABOR STANDARDS

SEC. 110. All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with grants received under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5): *Provided*, That this section shall apply to the construction of residential property only if such residential property is designed for residential use for eight or more families. The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 13, 1934, as amended (48 Stat. 948; 40 U.S.C. 276(c)).

REMEDIES FOR NONCOMPLIANCE

SEC. 111. (a) If the Secretary finds after reasonable notice and opportunity for hearing that a recipient of assistance under this title has failed to comply substantially with any provision of this title, the Secretary, until he is satisfied that there is no longer any such failure to comply, shall—

(1) terminate payments to the recipient under this title, or

(2) reduce payments to the recipient under this title by an amount equal to the amount of such payments which were not expended in accordance with this title, or

(3) limit the availability of payments under this title to programs, projects, or activities not affected by such failure to comply.

(b)(1) In lieu of, or in addition to, any action authorized by subsection (a), the Secretary may, if he has reason to believe that a recipient has failed to comply substantially with any provision of this title, refer the matter to the Attorney General of the United States with a recommendation that an appropriate civil action be instituted.

(2) Upon such a referral the Attorney General may bring a civil action in any United States district court having venue thereof for such relief as may be appropriate, including an action to recover the amount of the assistance furnished under this title which was not expended in accordance with it, or for mandatory or injunctive relief.

(c)(1) Any recipient which receives notice under subsection (a) of the termination, reduction, or limitation of payments under this title may, within sixty days after receiving such note, file with the United States Court of Appeals for the circuit in which such State is located, or in the United States Court of Appeals for the District of Columbia, a petition for review of the Secretary's action. The petitioner shall forthwith transmit copies of the petition to the Secretary and the Attorney General of the United States, who shall represent the Secretary in the litigation.

(2) The Secretary shall file in the court the record of the proceeding on which he based his action, as provided in section 2112 of title 28, United States Code. No objection to the action of the Secretary shall be considered by the court unless such objection has been urged before the Secretary.

(3) The court shall have jurisdiction to affirm or modify the action of the Secretary or to set it aside in whole or in part. The findings of fact by the Secretary, if supported by substantial evidence on the record considered as a whole, shall be conclusive. The court may order additional evidence to be taken by the Secretary, and to be made part of the record. The Secretary may modify his findings of fact, or make new findings, by reason of the new evidence so taken and filed with the court, and he shall also file such modified or new findings, which findings with respect to questions of fact shall be conclusive if supported by substantial evidence on the record considered as a whole, and shall also file his recommendations, if any, for the modification or setting aside of his original action.

(4) Upon the filing of the record with the court, the jurisdiction of the court shall be exclusive and its judgment shall be final, except that such judgment shall be subject to review by the Supreme Court of the United States upon writ of certiorari or certification as provided in section 1254 of title 28, United States Code.

USE OF GRANTS TO SETTLE OUTSTANDING URBAN RENEWAL LOANS

SEC. 112. (a) The Secretary is authorized, notwithstanding any other provision of this title, to apply a portion of the grants, not to exceed 20 per centum thereof without the request of the recipient, made or to be made under section 103(a) in any fiscal year pursuant to an allocation under section 106 to any unit of general local government toward payment of the principal of, and accrued interest on, any temporary loans made in connection with urban renewal projects under title I of the Housing Act of 1949 being carried out within the jurisdiction of such unit of general local government if—

(1) the Secretary determines, after consultation with the local public agency carrying out the project and the chief executive of such unit of general local government, that the project cannot be completed without additional capital grants, or

(2) the local public agency carrying out the project submits to the Secretary an appropriate request which is concurred in by the governing body of such unit of general local government.

In determining the amounts to be applied to the payment of temporary loans, the Secretary shall make an accounting for each project taking into consideration the costs incurred or to be incurred, the estimated proceeds upon any sale or disposition of property, and the capital grants approved for the project.

(b) Upon application by any local public agency carrying out an urban renewal project under title I of the Housing Act of 1949, which application is approved by the governing body of the unit of general local government in which the project is located, the Secretary may approve a financial settlement of such project if he finds a surplus of capital grant funds after full repayment of temporary loan indebtedness will result and may authorize the unit of general local government to use such surplus funds, without deduction or offset, in accordance with the provisions of this title.

CODE STANDARDS

SEC. 113. Nothing contained in or prescribed under this title, section 101(c) of the Housing Act of 1949, or any other provision of Federal law shall prevent a locality from having and continuing in effect a building, plumbing, electrical, fire prevention, or related code (or provision thereof) embodying standards which, in terms of protecting the public health and safety, are determined by the National Bureau of Standards to be as high as or higher than the corresponding minimum code standards specified by the Secretary of Housing and Urban Development as required to be met in order for such locality to qualify for assistance, certification, or ratification under this title or such section or other provision of Federal law; and any such local standard shall be deemed to satisfy all of the applicable requirements relating to acceptable code standards under this title or such section or other provision.

TRANSITION PROVISIONS

SEC. 114. (a) Except with respect to projects and programs for which funds have been previously committed, no new grants or loans shall be made—

(1) after June 30, 1974, under (A) section 702 or section 703 of the Housing and Urban Development Act of 1965, (B) title II of the Housing Amendments of 1955, or (C) title VII of the Housing Act of 1961; and

(2) after January 1, 1975, under (A) title I of the Demonstration Cities and Metropolitan Development Act of 1966, or (B) title I of the Housing Act of 1949.

(b) To the extent that grants under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966 are payable from appropriations made for fiscal year 1975, and are made with respect to a project or program being carried on in any unit of general local government which is eligible to receive a grant for such fiscal year under section 106 (a) or (h) of this title, the amount of such grants made under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966 shall be deducted from the amount of grants which such unit of general local government is eligible to receive for fiscal year 1975 under such section 106 (a) or (h). The deduction required by the preceding sentence shall be disregarded in determining the amount of grants made to any unit of general local government that may be applied, pursuant to section 112 of this title, to payment of temporary loans in connection with urban renewal projects under title I of the Housing Act of 1949.

(c) The first sentence of section 103(b) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: ", and by such sums as may be necessary thereafter".

(d)(1) Section 111(b) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting immediately after the first sentence the following new sentence: "In addition, there is authorized to be appropriated for such purpose such sums as may be necessary for the fiscal year ending June 30, 1975".

(2) Section 111(c) of such Act is amended by striking out "July 1, 1974" and inserting in lieu thereof "July 1, 1975".

(e) Section 312(h) of the Housing Act of 1964 is amended by striking out "October 1, 1974" and inserting in lieu thereof "January 1, 1975".

(f) With respect to the program period beginning January 1, 1975, the Secretary may, without regard to the requirements of section 104, advance to any metropolitan city or urban county, out of the amount allocated to such city or county pursuant to section 106(a), an amount not to exceed 10 per centum of the amount so allocated which shall be available only for use (A) to continue projects or programs referred to in section 114(a)(2) or (B) to plan and prepare for the implementation in such city or county of activities to be assisted under this title.

(g) In the case of funds available for fiscal year 1975, the Secretary shall not consider any application fro ma metropolitan city or urban county for a basic grant pursuant to section 106(a) or from a unit of general local government for a grant pursuant to section 160(h) unless such application is submitted on or prior to April 1, 1975, in the case of funds available for fiscal years 1976 and 1977, the Secretary shall not consider any application from a metropolitan city or urban county for a basic grant pursuant to section 106(a) or from a unit of general local government for a grant pursuant to section 106(h) unless such application is submitted on or prior to November 1 of those fiscal years.

LIQUIDATION OF SUPERSEDED PROGRAMS

SEC. 115. (a) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding after paragraph (22) (as added by section 108(f) of this Act) the following new paragraph:

"(23) For payments required from time to time under contracts entered into pursuant to section 103(b) of the Housing Act of 1949, as amended, with respect to projects or programs for which funds have been committed on or before December 31, 1974, and for which funds have not previously been appropriated."

(b) The Secretary is authorized to transfer the assets and liabilities of any program which is superseded or inactive by reason of this title to the revolving fund for liquidating programs established pursuant to title II of the Independent Offices Appropriation Act of 1965 (Public Law 81-428; 68 Stat. 272, 295).

EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS

SEC. 116. Section 3 of the Housing and Urban Development Act of 1968 is amended by inserting ", including community development block grants under title I of the Housing and Urban Development Act of 1974," immediately after "direct financial assistance".

## TITLE II—ASSISTED HOUSING

HOUSING ASSISTANCE PROGRAM

SEC. 201 (a) Section 23 of the United States Housing Act of 1937 is amended by adding at the end thereof the following new subsection:

"(h)(1)(A) In addition to the assistance authorized by subsection (d) of this section,

the Secretary may provide assistance on behalf of lower income families in accordance with the provisions of this subsection.

"(B) To the extent of contracts for annual contributions entered into by the Secretary with a public housing agency under section 10 of this Act, such public housing agency may enter into contracts to make assistance payments for the use of existing dwelling units in accordance with subsections (a) through (g) of this section except as modified by this subsection. In areas where no public housing agency has been organized, the Secretary is authorized to enter into such contracts and to perform the other functions assigned to a public housing agency by this subsection.

"(C) To the extent of annual contributions authorizations under section 10 of this Act, the Secretary is authorized to make assistance payments pursuant to contracts with owners or prospective owners who agree to construct or substantially rehabilitate housing in which some or all of the units shall be available for occupancy by lower income families pursuant to the provisions of this subsection. Subject to the provisions of this subsection, the Secretary may also enter into contracts with public housing agencies pursuant to which such agencies may make assistance payments under contracts with owners or prospective owners of units with respect to which such public housing agencies have assumed or agreed to assume management responsibilities.

"(2) (A) An assistance contract entered into pursuant to this subsection shall establish the maximum monthly rent (including utilities and all maintenance and management charges) which the owner is entitled to receive for each dwelling unit with respect to which such assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically but not less than annually for existing or newly constructed rental dwelling units of various sizes and types in the market area suitable for occupancy by persons assisted under this subsection, except that the maximum monthly rent may exceed 10 per centum but not more than 20 per centum of the fair market rental where the Secretary determines that special circumstances warrant such higher maximum rent or that such higher rent is necessary to the implementation of a State or local housing assistance plan approved pursuant to section 202 of the Housing and Urban Development Act of 1974. Proposed fair market rentals for any area shall be published in the Federal Register with reasonable time for public comment, and shall become effectice upon the date of publication in final form in the Federal Register.

"(B) (i) The assistance contract shall provide for adjustment annually or more frequently in the maximum monthly rents for units covered by the contract to reflect changes in the fair market rentals established for the housing area for similar types and sizes of dwelling units or, if the Secretary determines, on the basis of a reasonable formula.

"(ii) The contract shall further provide for the Secretary to make additional adjustments in the maximum monthly rent for units under contract to the extent he determines such adjustments are necessary to reflect increases in the actual and necessary expenses of owing and maintaining the units which have resulted from substantial general increases in real property taxes, utility rates or similar costs which are not adequately compensated for by the annual adjustment in the maximum monthly rent for such comparable units in the locality in which the units are situated.

"(iii) Adjustments in the maximum rents as hereinbefore provided shall not result in material differences between the rents charged for assisted and comparable unassisted units.

"(C) The amount of the monthly assistance payment with respect to any dwelling unit shall be the difference between not less than 15 per centum nor more than 25 per centum of one-twelfth of the annual income of the family occupying the dwelling unit and the maximum monthly rent which the contract provides that the owner is to receive for the unit. Reviews of family income shall be made no less frequently than annually (except that such reviews may be made at intervals no longer than two years in the case of families who are elderly or handicapped).

"(D) The assistance contract shall provide that assistance payments may be made only with respect to a dwelling unit under lease for occupancy by a family determined to be a lower income family at the time it entered into a dwelling unit, except that such payments may be made with respect to unoccupied units for a period not exceeding sixty days (i) in the event that a family vacates a dwelling unit before the expiration date of the lease for occupancy or (ii) where a good faith effort is being made to fill an unoccupied unit.

"(E) Assistance payments may be made with respect to up to 100 per centum of the dwelling units in any structure upon the application of the owner or prospective owner. Within the category of projects containing more than fifty units and designed for use primarily by nonelderly or nonhandicapped persons, the Secretary may give preference to applications for assistance involving not more than 20 per centum of the dwelling units in a project. In according any such preference, the Secretary shall compare applications received during distinct time periods not exceeding sixty days in duration.

"(F) The Secretary shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rent or decreases in family incomes.

"(G) The Secretary shall prescribe such requirements and procedures as may be necessary or appropriate best to assure that at least 30 per centum of the families assisted under this subsection with annual allocations of contract authority are very low-income families at the time of the initial renting of dwelling units.

"(3) (A) The Secretary shall not contract to make assistance payments with respect to a newly constructed or substantially rehabilitated dwelling unit for a term of less than one month or more than two hundred and forty months. In the case of a project owned by, or financed by a loan or loan guarantee from, a State or local agency, the term may not exceed four hundred and eighty months.

"(B) The contract between the Secretary and the owner with respect to newly constructed or substantially rehabilitated dwelling units shall provide that all ownership, management, and maintenance responsibilities, including the selection of tenants and the termination of tenancy, shall be assumed by the owner (or such entity approved by the Secretary with which the owner may contract for the performance of such responsibilities).

"(C) Assistance provided pursuant to this subsection with respect to the construction or substantial rehabilitation of dwelling units shall not be withheld or made subject to preferences by reason of the availability of mortgage insurance pursuant to section 244 of the National Housing Act or by reason of the tax-exempt status of the bonds or other obligations to be used to finance such construction or rehabilitation or, if such unit is designed to comply with applicable local and State building codes, by reason of the unit's failure to comply with any minimum property standard or other structural code promulgated by the Secretary.

"(D) Nothing in this Act shall be deemed to prohibit an owner from pledging, or offering as security for any loan or obligation, a contract for assistance payments entered into pursuant to this subsection: *Provided*, That such security is in connection with a project constructed or rehabilitated pursuant to authority granted in this subsection, and the terms of the financing or any refinancing have been approved by the Secretary.

"(4) As used in this subsection—

"(A) the term 'lower income families' means those families whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors;

"(B) the term 'very low-income families' means those families whose incomes do not exceed 50 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families;

"(C) the term 'income' means income from all sources of each member of the household, as determined in accordance with criteria prescribed by the Secretary;

"(D) the term 'owner' means any private person or entity, including a cooperative, or a public housing agency, having the legal right to lease or sublease newly constructed or substantially rehabilitated dwelling units as described in this subsection;

"(E) the terms 'rent' or 'rental' mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

"(F) The term 'project designed for the elderly or handicapped' means a multifamily housing facility specifically designed and equipped with 'related facilities' (as defined in section 202(d)(8) of the Housing Act of 1959) to accommodate the special environmental needs of the intended occupant, which is in support of and supported by the applicable State plan for comprehensive services pursuant to section 134 of title I of the Mental Retardation Facilities and Community Mental Health Center Construction Act of 1963 or State and area plans pursuant to title III of the Older Americans Comprehensive Services Amendments of 1973.

"(5) The provisions of sections 2(1) and 15, the provisions of subsection (a)(2) of this section, and any other provisions of this Act which are inconsistent with the provisions of this subsection shall not apply to contracts for assistance entered into under this subsection.

"(6) Notwithstanding any other provision of this Act, assistance payments under this subsection shall be provided, in accordance with regulations prescribed by the Secretary, with respect to some or all of the units in any project approved pursuant to section 202 of the Housing Act of 1959. For purposes of such payments, the term 'lower income families' as used in this subsection includes elderly or handicapped families with annual incomes less than five times the annual market rent of the units in such projects which they occupy."

(b) Section 2(2) of such Act is amended by inserting in the third sentence thereof immediately after "section 223 of that Act" the following: "or as defined in section 102 (5) of the Developmental Disabilities Services and Facilities Construction Amendments of 1970".

(c) Section 16(2) of such Act is amended—

(1) by striking out "section 23" and inserting in lieu thereof "section 23(d)"; and

(2) by inserting "or the Secretary" immediately after "public housing agency".

(d) Notwithstanding the provisions of section 2(2) of such Act, the term 'elderly or handicapped families' includes two or more elderly or handicapped individuals of the same sex living together, or one or more such individuals living with another person who is determined under regulations of the Authority to be a person essential to their care or well being.

(e) The Secretary shall consult with the Secretary of Health, Education, and Welfare to insure that special projects for the elderly or the handicapped authorized pursuant to United States Housing Act of 1937 shall meet acceptable standards of design and shall provide quality services and management consistent with the needs of the occupant.

LOCAL HOUSING ASSISTANCE PLANS; ALLOCATION OF HOUSING FUNDS

SEC. 202. (a) The Secretary of Housing and Urban Development shall not approve an application or proposal for housing assistance under the United States Housing Act of 1937, sections 235 or 236 of the National Housing Act, or section 101 of the Housing and Urban Development Act of 1965 unless the unit of general local government in which the proposed assistance is to be provided and which has a housing assistance plan approved by the Secretary has had a reasonable opportunity to consider the proposed assistance prior to submission of the application or proposal and to certify to the Secretary that such assistance is consistent with a housing assistance plan (approved by the Secretary pursuant to title I of this Act or, in the case of a unit of general local government not participating under such title I approved pursuant to regulations established by the Secretary) or that the assistance, while not consistent with the plan, should be approved for reasons set forth with the certification. If the unit of general local government objects to approval of the application or proposal, and no resolution thereof is effected, the Secretary shall not give that approval unless he determines that the application or proposal is plainly consistent with the housing assistance plan and that such objection, viewed in the context of such plan, is without merit. The Secretary shall advise the unit of general local government in writing of his rejection of such objection and shall provide such unit of government with his reasons at least thirty days prior to such approval and allow an opportunity for response.

(b) The Secretary may, after consultation with appropriate officials representative of units of general local government, approve in regulations exceptions to the requirements of subsection (a) of this section for applications which would involve small amounts of housing assistance. In such cases, the Secretary shall determine whether the applications are consistent with any approved local housing assistance plan.

(c) For areas in which an approved local housing assistance plan is not applicable, the Secretary shall not approve an application for housing assistance unless he determines that there is a need for such assistance and that there is or will be available in the area public facilities and services adequate to serve the housing proposed to be assisted: *Provided*, That the unit of general local government in which the project is to be located has been notified by the Secretary of his intent to approve the project and has failed to object within sixty days of such notification.

(d)(1) In allocating financial assistance under the provisions of law specified in subsection (a) of this section, the Secretary, so far as practicable, shall consider the relative needs of different areas and communities as reflected in data as to population, poverty, housing overcrowding, housing vacancies, amount of substandard housing or other objectively measurable conditions, subject to such adjustments as may be necessary to assist in carrying out activities designed to meet lower income housing needs as described in approved housing assistance plans submitted by units of general local government or combinations of such units assisted under section 107(a)(2) of this Act. The amount of assistance allocated to nonmetropolitan areas pursuant to this section in any fiscal year shall not be less than 20 per centum of the total amount of such assistance.

(2) In order to facilitate the provision of, and long-range planning for, housing for persons of low- and moderate-income in new community developments approved under title IV of the Housing and Urban Development Act of 1968, or of title VII of the Housing and Urban Development Act of 1970, the Secretary shall reserve such housing assistance funds as he deems necessary for use in connection with such new community developments.

(3) The Secretary may reserve such housing assistance funds as he deems appropriate for use by a State or agency thereof.

AMENDMENT TO MAKE PUBLIC HOUSING AGENCIES ELIGIBLE AS MORTGAGORS UNDER SECTION 221 (D)(3) OF THE NATIONAL HOUSING ACT

SEC. 203. (a) Section 221(d)(3) of the National Housing Act is amended by striking out the parenthetical phrase "(and which certifies that it is not receiving financial assistance from the United States exclusively pursuant to the United States Housing Act of 1937)" and inserting in lieu thereof "(and, except with respect to a project assisted or to be assisted pursuant to section 23(h) of the United States Housing Act of 1937, which certifies that it is not receiving financial assistance from the United States exclusively pursuant to such Act)".

(b) With respect to any obligation which is secured by a mortgage insured under section 221(d)(3) of the National Housing Act and which is issued by a public agency in connection with the financing of a project assisted under section 2(h) of the United States Housing Act of 1937, the interest paid on such obligation shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1954.

MINIMUM RENTALS FOR DWELLING UNITS IN LOW-RENT HOUSING

SEC. 204. (a)(1) Section 2(1) of the United States Housing Act of 1937 is amended by inserting immediately after the second paragraph the following new paragraph:

"Notwithstanding the preceding paragraph, the rental for any dwelling unit in low-rent housing shall not be less than the higher of (A) 10 per centum of the gross income of the family occupying the dwelling unit, and (B) if the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the family's actual housing costs, is specifically designated by such agency to meet the family's housing costs, the portion of such payments which is so designated. In addition, in any case where the dwelling units in a project are administered by a public housing agency receiving operating subsidy payments pursuant to the second proviso in section 10(a), the aggregate rentals required to be paid in any year by families residing in such units shall not be less than an amount equal to one-fifth of the sum of the incomes of all such families."

(b) Clause (B) in the second sentence of the second paragraph in section 2(1) of such Act is amended by striking out clause (iii) and inserting in lieu thereof the following:

"(iii) 10 per centum of the family's gross income in the case of an elderly family; and".

(c) Section 2(1) of such Act is further amended by striking out the last paragraph.

(d) Section 213(b) of the Housing and Urban Development Act of 1969 is repealed.

(e) To the extent that the amendments to the United States Housing Act of 1937 made by this section require the establishment of an increased monthly rental charge for any family which occupies a low-income housing unit as of the effective date of this section (other than by reason of the amendments relating to welfare assistance payments), the required adjustment shall be made, in accordance with regulations of the Secretary, as follows: (A) the first adjustment shall not exceed $5 and shall become effective as of the month following the month of the first review of the family's income pursuant to section 10(g)(3) of such Act which occurs at least six months after the enactment of this section, and (B) subsequent adjustments, each of which shall not exceed $5, shall be made at six-month intervals over whatever period is necessary to effect the full required increase in the family's rental charge.

MANAGEMENT PRACTICES IN PROJECT OPERATION

SEC. 205. Section 10(g) of the United States Housing Act of 1937 is amended by striking out "and" at the end of paragraph (3), by striking out the period at the end of paragraph (4) and inserting in lieu thereof "; and", and by adding at the end thereof the following new paragraph:

"(5) the public housing agency shall comply with such procedures and requirements as the Secretary may prescribe to assure that sound management practices will be followed in the operation of the project, including requirements pertaining to—

"(A) the establishment of tenant selection criteria designed to assure that, within a reasonable period of time, the project will include families with a broad range of incomes and will avoid concentrations of low-income and deprived families with serious social problems, but this shall not permit maintenance of vacancies to await higher-income tenants where lower-income tenants are available;

"(B) the establishment of satisfactory procedures designed to assure the prompt payment and collection of rents and the prompt processing of evictions in the case of nonpayment of rent;

"(C) the establishment of effective tenant-management relationships designed to assure that satisfactory standards of tenant security and project maintenance are formulated and that the public housing agency (together with tenant councils where they exist) enforces those standards fully and effectively; and

"(D) the development by local housing authority managements of viable homeownership opportunity programs for low-income families capable of assuming the responsibilities of homeownership."

INCREASE IN PUBLIC HOUSING ANNUAL CONTRIBUTIONS CONTRACT AUTHORITY

SEC. 206. Section 10(e) of the United States Housing Act of 1937 is amended by striking out "and $140,000,000 on July 1, 1973" and inserting in lieu thereof "$400,000,000 on July 1, 1973, and $965,000,000 on July 1, 1974".

INTERIM EXTENSION OF SECTION 235 AND SECTION 236 PROGRAMS

SEC. 207. (a)(1) Section 235(m) of the National Housing Act is amended by striking out "October 1, 1974" and inserting in lieu thereof "June 30, 1975".

(2) Section 236(n) of such Act is amended by striking out "October 1, 1974" and inserting in lieu thereof "June 30, 1975".

(b) Section 236(1)(1) of such Act is amended by inserting before the period at the end thereof the following: ", and, in addition, by such sums as may be necessary thereafter".

(c) Section 235(a) of such Act is amended by inserting after "this section" at the end of the second sentence the following: "or which mortgages are assisted under a State or local program providing assistance through loans, loan insurance or tax abatement".

PROVISION OF LOW-RENT PUBLIC HOUSING FOR AMERICAN INDIANS

SEC. 208. The first sentence of section 10(e) of the United States Housing Act of 1937 is amended by inserting immediately before the period the following: ": And provided further, That at least $20,000,000 of the total amount of contracts for annual contributions authorized under section 206 of the Housing and Urban Development Act of 1974 shall be available solely for low-rent housing for persons who are members of any Indian tribe, band, pueblo, group, or community of Indians who are recognized by the Federal Government, or Alaska Natives, or Indians who are wards of any State government, except that none of the funds made available under this proviso shall be available for housing in private accommodations under section 23 and, notwithstanding any other provision of this Act, the annual contributions for a project assisted pursuant to this proviso shall be equal to the difference between the sum of the total debt service payment plus approved operating costs and the rental payments that tenants are required to make under section 2(1) of this Act".

PROVISION OF HOUSING ASSISTANCE IN CERTAIN AREAS WHERE ASSISTANCE IS OTHERWISE UNAVAILABLE

SEC. 209. If, after the two years from the effective date of this Act, the Secretary of Housing and Urban Development determines that there are any areas of the country where a substantial number of families require housing assistance and no agency or sponsor is providing such assistance, he may act as sponsor, or designate a sponsor, to develop housing to meet this need. No sponsor shall be designated by the Secretary pursuant to this section without the prior approval of the Governor or of the State Housing Agency of the State in which the proposed assisted housing is to be located.

PROVISION OF LOW-RENT PUBLIC HOUSING FOR THE ELDERLY OR HANDICAPPED

SEC. 210. The first sentence of section 10(e) of the United States Housing Act of 1937 is amended by inserting immediately before the period the following: ": And provided further, That at least 20 per centum of the total amount of contracts for annual contributions authorized under section 206 of the Housing and Urban Development Act of 1974 shall be available solely for low-income housing for elderly or handicapped persons or families".

CERTAIN AMOUNTS TO BE DISREGARDED IN DETERMINING ELIGIBILITY

SEC. 211. (a) That section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof the following new paragraph:

"(13) Notwithstanding any other provision of law, social security benefit increases occurring after June 1974 shall not be considered as income or resources or otherwise taken into account for purposes of determining the eligibility of any individual or family for admission to or occupancy of low-rent housing, or for purposes of determining the amount of the rental which any individual or family is required to pay for his or its accommodations in such housing. For purposes of this paragraph, the term 'social security benefit increases occurring after June 1974' means any part of a monthly benefit payable to an individual under the insurance program established under title II of the Social Security Act which results from (and would not be payable but for) a cost-of-living increase in benefits under such program occurring after June 1974 pursuant to section 215(1) of such Act, or any other increase in benefits under such program, enacted after June 1974, which constitutes a general benefit increase within the meaning of section 215(i)(3) of such Act."

(b) Title V of the National Housing Act is amended by adding at the end thereof the following new section:

"CERTAIN BENEFIT INCREASES TO BE DISREGARDED IN DETERMINING FEDERAL HOUSING SUBSIDIES

"SEC. 525. Notwithstanding any other provision of law, social security benefit increases occurring after June 1974 shall not be considered as income or resources or otherwise taken into account for purposes of determining—

"(1) the eligibility of any individual or family for mortgage insurance or assistance payments under section 235, or the amount of any such payments;

"(2) the eligibility of any individual or family for admission to or occupancy of housing with respect to which assistance payments are being made under section 236, or the amount of the rental to be charged such individual or family for his or its accommodations in such housing;

"(3) whether or not any individual or family is a 'qualified tenant' for purposes of rent supplement payments under section 101 of the Housing and Urban Development Act of 1965, or the amount of such payments; or

"(4) the eligibility of any individual or family for housing assistance under any other Federal law or program which conditions such eligibility to any extent upon income or resources, or the amount or extent of such assistance.

"For purposes of this section, the term 'social security benefit increases occurring after June 1974' means any part of a monthly benefit payable to an individual under the insurance program established under title II of the Social Security Act which results from (and would not be payable but for) a cost-of-living increase in benefits under such program occurring after June 1974 pursuant to section 215(1) of such Act, or any other increase in benefits under such program, enacted after June 1974, which constitutes a general benefit increase within the meaning of section 25(1)(3) of such Act."

(c) The amendments made by this section shall apply with respect to determinations made on or after the date of the enactment of this Act.

REVISION OF SECTION 202 PROGRAM FOR ELDERLY AND HANDICAPPED

SEC. 212. (a) Section 202 of title II of the Housing Act of 1959 is amended—

(1) by deleting, in subsection (a)(1), ", consumer cooperatives, limited profit sponsors, or public bodies or agencies" and inserting in lieu thereof "or consumer cooperatives";

(2) by deleting, in subsection (a)(2), ", to any limited profit sponsor approved by the Secretary, to any consumer cooperative, or to any public body or agency" and inserting in lieu thereof "or to any consumer cooperative";

(3) by inserting, after clause (A) of subsection (a)(2), the word "and", by changing the comma which appears at the end of clause (B) of subsection (a)(2) to a period, and by striking the remainder of the subsection;

(4) by deleting, in subsection (a)(3), ", consumer cooperative, or public body or agency" and inserting in lieu thereof "or consumer cooperative"; and

(5) by deleting, in subsection (c)(3), ", cooperative, or public body or agency" and inserting in lieu thereof "or cooperative".

(b) Subsection (a)(3) of section 202 of title II of the Housing Act of 1959 is amended by deleting all that part of the subsection which follows the words "and shall bear interest at a rate" and inserting in lieu thereof "which is not more than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus an allowance adequate in the judgment of the Secretary to cover administrative costs and probable losses under the program."

(c) Paragraph (4) of subsection (d) of section 202 of the Housing Act of 1959 is amended—

(1) by striking the words "a physical" in the second sentence and inserting in lieu thereof "an"; and

(2) by inserting, following the second sentence, a new sentence reading as follows: "A person shall also be considered handicapped if such person is a developmentally disabled individual having a disability attributable to mental retardation, cerebral palsy, epilepsy, or another neurological condition which (i) originates before the individual affected attains age eighteen, (ii) has continued or can be expected to continue indefinitely, and (iii) constitutes a substantial handicap to such individual."

(d) Section 202 of title II of the Housing Act of 1959 is amended by adding at the end thereof a new subsection (f) reading as follows:

"(f) In carrying out the provisions of this section, the Secretary shall seek to assure, pursuant to applicable regulations, that housing and related facilities assisted under this Act will be in appropriate support of, and supported by, applicable plans of a State, the District of Columbia, Puerto Rico and possessions of the United States, or of a subdivision thereof, which respond to Federal program requirements as providing an assured range of necessary services for such individuals (which services may include, among others, health, continuing education, welfare, informational, recreational, homemaker, or counseling or referral services, transportation where necessary to facilitate access to social services, and services designed to encourage and assist recipients to use the services and facilities available to them), including plans approved by the Secretary of Health, Education, and Welfare pursuant to section 134 of title I of the Mental Retardation Facilities and Community Mental Health Center Construction Act of 1963 or pursuant to title III of the Older Americans Act of 1965."

(e) Section 202(a)(4) of such Act is amended—

(1) by inserting "(A)" immediately after "(4)";

(2) by inserting ", and the proceeds from notes or other obligations issued under subparagraph (B)," after "Amounts so appropriated"; and

(3) by adding at the end thereof the following new subparagraph:

"(B) (i) To carry out the purposes of this section, the Secretary is authorized to issue to the Secretary of the Treasury notes or other obligations in an aggregate amount not to exceed $1,500,000,000, in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into con-

sideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued thereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under that Act are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as debt transactions of the United States.

"(ii) The receipts and disbursements of the fund shall not be included in the total of the Budget of the United States Government and shall be exempt from any limitation on annual expenditure or net lending."

SECTION 202 PROJECTS ELIGIBLE FOR ASSISTANCE PAYMENTS UNDER PUBLIC HOUSING LAW

SEC. 213. (a) In determining the feasibility and marketability of a project under section 202 of the Housing Act of 1959, the Secretary shall consider the availability of monthly assistance payments pursuant to section 23 of the United States Housing Act of 1937 with respect to such a project.

(b) The Secretary shall insure that with the original approval of a project authorized pursuant to section 202 of the Housing Act of 1959, and thereafter at each annual revision of the assistance contract under section 23 of the United States Housing Act of 1937 with respect to units in such project, the project will serve both low- and moderate-income families in a mix which he determines to be appropriate for the area and for viable operation of the project; except that the Secretary shall not permit maintenance of vacancies to await tenants of one income level where tenants of another income level are available.

## TITLE III—MORTGAGE CREDIT PROGRAMS

EXTENSION OF REGULAR FHA INSURANCE PROGRAMS

SEC. 301. (a) Section 2(a) of the National Housing Act is amended by striking out "October 1, 1974" in the first sentence and inserting in lieu thereof "June 30, 1977".

(b) Section 217 of such Act is amended by striking out "October 1, 1974" and inserting in lieu thereof "June 30, 1977".

(c) Section 221(f) of such Act is amended by striking out "October 1, 1974" in the fifth sentence and inserting in lieu thereof "June 30, 1977".

(d) Section 809(f) of such Act is amended by striking out "October 1, 1974" in the second sentence and inserting in lieu thereof "June 30, 1977".

(e) Section 810(k) of such Act is amended by striking out "October 1, 1974" in the second sentence and inserting in lieu thereof "June 30, 1977".

(f) Section 1002(a) of such Act is amended by striking out "October 1, 1974" in the second sentence and inserting in lieu thereof "June 30, 1977".

(g) Section 1101(a) of such Act is amended by striking out "October 1, 1974" in the second sentence and inserting in lieu thereof "June 30, 1977".

FLEXIBILITY INTEREST RATE AUTHORITY

SEC. 302. Section 3(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1963, as amended (12 U.S.C. 1709–1), is amended by striking out "October 1, 1974" and inserting in lieu thereof "June 30, 1977".

INCREASE IN MAXIMUM MORTGAGE AMOUNTS UNDER FHA ONE- TO FOUR-FAMILY MORTGAGE INSURANCE PROGRAMS

SEC. 303. (a) Section 203(b)(2) of the National Housing Act is amended by striking out "$33,000", "$35,750", and "$41,250" wherever they appear and inserting in lieu thereof "$45,000", "$48,750", and "$56,000", respectively.

(b) Section 220(d)(3)(A) of such Act is amended by striking out "$33,000", "$35,750", and "$41,250" wherever they appear and inserting in lieu thereof "$45,000", "$48,750", and "$56,000", respectively.

(c) Section 222(b)(2) of such Act is amended by striking out "$33,000" and inserting in lieu thereof "$45,000".

(d) Section 221(d)(2)(A) of such Act is amended—

(1) by striking out "$18,000", "$21,000", "$24,000", "$32,400", and "$39,600" in the matter preceding the first proviso and inserting in lieu thereof "$21,600", "$25,200", "$28,000", "$38,880", and "$47,520", respectively; and

(2) by striking out "$21,000", "$24,000", "$30,000", "$38,400", and "$45,600" in the second proviso and inserting in lieu thereof "$25,200", "$28,800", "$36,000", "$46,080", and "$54,720", respectively.

(e) Section 234(c) of such Act is amended by striking out "$33,000" and inserting in lieu thereof "$45,000".

(f)(1) The last proviso in section 235(b)(2) of such Act is amended by striking out "$18,000", "$21,000", "$21,000", and "$24,000" and inserting in lieu thereof "$21,600", "$25,200", "$25,200", and "$28,800", respectively.

(2) Section 235(i)(3)(B) of such Act is amended by striking out "$18,000", "$21,000", "$21,000", and "$24,000" and inserting in lieu thereof "$21,600", "$25,200", "$25,200", and "$28,800", respectively.

INCREASE IN MAXIMUM MORTGAGE AMOUNTS UNDER FHA MULTIFAMILY MORTGAGE INSURANCE PROGRAMS

SEC. 304. (a)(1) Section 207(c)(3) of the National Housing Act is amended by striking out "$9,900", "$13,750", "$16,500", "$20,350", "$23,100", and "$2,500" in the matter preceding the first semicolon and inserting in lieu thereof "$13,000", "$18,000", "$21,500", "$26,500", "$30,000", and "$3,250", respectively.

(2) Section 207(c)(3) of such Act is further amended by striking out "$11,550", "$16,500", "$19,800", "$24,750", and "$28,050" in the matter following the first semicolon and inserting in lieu thereof "$15,000", "$21,000", "$25,750", "$32,250", and "$36,465", respectively.

(b)(1) Section 213(b)(2) of such Act is amended by striking out "$9,900", "$13,750", "$16,500", "$20,350", and "$23,100" in the matter preceding the first proviso and inserting in lieu thereof "$13,000", "$18,000", "$21,500", "$26,500", and "$30,000", respectively.

(2) Section 213(b)(2) of such Act is further amended by striking out "$11,550", "$16,500", "$19,800", "$24,750" and "$28,050" in the first proviso and inserting in lieu thereof "$15,000", "$21,000", "$25,750", "$32,250", and "$36,465", respectively.

(c)(1) Section 220(d)(3)(B)(iii) of such Act is amended by striking out "$9,900", "$13,750", "$16,500", "$20,350", and "$23,100" in the matter preceding "percent" where it first appears and inserting in lieu thereof "$13,000", "$18,000", "$21,500", "$26,500", and "$30,000", respectively.

(2) Section 220(d)(3)(B)(iii) of such Act is further amended by striking out "$11,550", "$16,500", "$19,800", "$24,750", and "$28,050" in the matter preceding "except" where it first appears and inserting in lieu thereof "$15,000", "$21,000", "$25,750", "$32,250", and "$36,465", respectively.

(d) Section 221(d)(3)(ii) of such Act is amended—

(A) by striking out "9,200", "$12,937.50", "$15,525", "$19,550", and "$22,137.50" and inserting in lieu thereof "$11,240", "$15,540", "18,630", "$23,460", and "$26,570", respectively; and

(B) by striking out "$19,925", "$13,500", "$18,400", "$23,000", and "$26,162.50" and inserting in lieu thereof "$13,120", "$16,200", "$22,080", "$27,600", and "$32,000", respectively.

(e)(1) Section 221(d)(4)(ii) of such Act is amended by striking out "9,200", "$12,937.50", "$15,525", "$19,550", and "$22,137.50" in the matter preceding the first semicolon and inserting in lieu thereof "$12,300", "$17,188", "$20,525", "$24,700", and "$29,038", respectively.

(2) Section 221(d)(4)(ii) of such Act is further amended by striking out "$10,525", "$15,525", "$18,400", "$23,000", and "$26,162.50" in the matter following the first semicolon and inserting in lieu thereof "13,975", "$20,025", "$24,350", "$31,500", and "$34,578" respectively.

(f)(1) Section 231(c)(2) of such Act is amended by striking "$8,800", "$12,375", "$14,850", "$18,700", and "$21,175" in the matter preceding the first semicolon and inserting in lieu thereof "$12,300", "$17,188", "$20,525", "$24,700", and "$29,038", respectively.

(2) Section 231(c)(2) of such Act is further amended by striking out "$10,450", "$14,850", "$17,600", "$22,000", and "$25,025" in the matter following the first semicolon and inserting in lieu thereof "$13,975", "$20,025", "$25,350", "$31,500", and "$34,578", respectively.

DOWNPAYMENT REQUIREMENTS FOR REGULAR FHA ONE- TO FOUR-FAMILY MORTGAGES

SEC. 305. (a) The first and second sentences of section 203(b)(2) of the National Housing Act are each amended—

(1) by striking out "$15,000" in clause (i) and inserting in lieu thereof "$25,000".

(2) by striking out "$15,000" and "$25,000" in clause (ii) and inserting in lieu thereof "$25,000" and "$35,000", respectively; and

(3) by striking out "$25,000" in clause (iii) and inserting in lieu thereof "$35,000".

(b) Section 220(d)(3)(A)(i) of such Act is amended by—

(1) by striking out "$15,000" in clause (1) and inserting in lieu thereof "$25,000";

(2) by striking out "$15,000" and "$25,000" in clause (2) and inserting in lieu thereof "$25,000" and "$35,000", respectively; and

(3) by striking out "$25,000" in clause (3) and inserting in lieu thereof "$35,000".

(c) Section 222(b)(3) of such Act is amended to read as follows:

"(3) have a principal obligation not in excess of the sum of (i) 97 per centum of $25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such value in excess of $25,000 but not in excess of $35,000, and (iii) 80 per centum of such value in excess of $35,000; and".

(d) That part of clause (A) of the third sentence of section 234(c) of such Act which begins "and not to exceed" is amended to read as follows "and not to exceed the sum of (i) 97 per centum of $25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such value in excess of $25,000 but not in excess of $35,000, (iii) 80 per centum of such value in excess of $35,000".

AMENDMENT TO PROVIDE FHA INSURED FINANCING ON RESALE OF COOPERATIVE DWELLINGS

SEC. 306. Section 203 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(n) (1) The Secretary is authorized to insure under this section any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection. To be eligible, the mortgage shall involve a dwelling unit in a cooperative housing project which is covered by a blanket mortgage insured under this Act. The mortgage amount as determined under the other provisions of subsection (b) of this section shall be reduced by an amount equal to the portion of the unpaid balance of the blanket mortgage covering the project which is attributable (as of the date the mortgage is accepted for insurance) to such unit.

"(2) For the purpose of this subsection—

"(A) The terms 'home mortgage' and 'mortgage' include a first lien given (in accordance with the laws of the State where the property is located and accompanied by such security and other undertakings as may be required under regulations of the Secretary) to secure a loan made to finance the purchase of stock or membership in a nonprofit cooperative ownership housing corporation the permanent occupancy of the dwelling units of which is restricted to members of such corporation, where the purchase of such stock or membership will entitle the purchaser to the permanent occupancy of one of such units.

"(B) The terms 'appraised value of the property', 'value of the property', and 'value' include the appraised value of a dwelling unit in a cooperative housing project of the type described in subparagraph (A) where the purchase of the stock or membership involved will entitle the purchaser to the permanent occupancy of that unit; and the term 'property' includes a dwelling unit in such a cooperative project.

"(C) The term 'mortgagor' includes a person or persons giving a first lien (of the type described in subparagraph (A)) to secure a loan to finance the purchase of stock or membership in a cooperative housing corporation."

LIMITATION ON DOLLAR AMOUNT OF GNMA-PURCHASED MORTGAGES

SEC. 307. Clause (3) of the proviso to the first sentence of section 302(b)(1) of the National Housing Act is amended by striking out "$22,000" and inserting in lieu thereof "$38,000".

TITLE I HOME IMPROVEMENT LOANS

SEC. 308. (a) Section 2(b) of the National Housing Act is amended—

(1) by striking out "$5,000" in clause (1) and inserting in lieu thereof "$10,000";

(2) by striking out "if such obligation" in clause (2) and all that follows down through "the general economy, and" and inserting in lieu thereof the following: "if such obligation has a maturity in excess of twelve years and thirty-two days, except that";

(3) by striking out "twelve years and thirty-two days (fifteen years and thirty-two days in the case of a mobile home composed of two or more modules)" and inserting in lieu thereof "fifteen years and thirty-two days"; and

(4) by striking out "$15,000", "$2,500", and "seven years" in the third proviso in clause (3) and inserting in lieu thereof "$17,500", "$5,000", and "twelve years", respectively.

(b) (1) Section 2(a) of such Act is amended by adding at the end thereof the following new paragraph:

"Alterations, repairs, and improvements upon or in connection with existing structures may include the provision of fire safety equipment. As used in this section, the term 'fire safety equipment' means any device or facility which is designed to reduce the risk of personal injury or property damage resulting from fire and is in conformity with such criteria and standards as shall be prescribed by the Secretary."

(2) Section 2(b) of such Act is amended by adding at the end thereof the following new sentence: "Notwithstanding the foregoing limitations, any loan to finance fire safety equipment for a nursing home or other comparable health care facility may involve an amount not exceeding $50,000 and have a maturity not exceeding twenty-five years and thirty-two days."

(c) Clause (1) in the first paragraph of section 2(a) of such Act is amended by inserting "or mobile homes" immediately after "in connection with existing structures".

(d) The last sentence of section 3(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes," approved May 7, 1968, as amended (12 U.S.C. 1709–1), is amended by striking out ", and which represents loans and advances of credit made for the purpose of financing purchases of mobile homes,".

CO-INSURANCE DEMONSTRATION PROGRAM

SEC. 309. Title II of the National Housing Act is amended by adding at the end thereof the following new section:

"CO-INSURANCE

"SEC. 244. (a) In addition to providing insurance as otherwise authorized under this Act, and notwithstanding any other provision of this Act inconsistent with this section, the Secretary, upon request of any mortgagee and for such mortgage insurance premium as he may prescribe (which premium, or other charges to be paid by the mortgagor, shall not exceed the premium, or other charges, that would otherwise be applicable), may insure and make a commitment to insure under any provision of the title any mortgage, advance, or loan otherwise eligible under such provision, pursuant to a contract providing that the mortgagee will—

"(1) assume the per centum of any loss in direct proportion to the amount of the co-insurance, which co-insurance shall not be less than 10 per centum, subject to any reasonable limit or limits on the liability of the mortgagee that may be specified in the event of unusual or catastrophic losses that may be incurred by any one mortgagee; and

"(2) carry out (under a delegation or otherwise and with or without compensation but subject to audit, exception or review requirements) such credit approval, appraisal, inspection, commitment, property disposition, or other functions as the Secretary, pursuant to regulations, shall approve as consistent with the purposes of this Act.

Any contract of insurance under this section shall contain such provisions relating to the sharing of premiums on a sound actuarial basis, establishment of mortgage reserves, manner of calculating insurance benefits, conditions with respect to foreclosure, handling and disposition of property prior to claim or settlement, rights of assignees (which may elect not to be subject to the loss sharing provisions), and other similar matters as the Secretary may prescribe pursuant to regulations.

"(b) No insurance shall be granted pursuant to this section with respect to dwellings or projects approved for mortgage insurance prior to the beginning of construction unless the inspection of such construction is conducted in accordance with at least the minimum standards and criteria used with respect to such dwellings or projects approved for mortgage insurance pursuant to other provisions of this title.

"(c) No insurance shall be granted pursuant to this section unless the Secretary has, after due consultation with the mortgage lending industry, determined that the demonstration program of coinsurance authorized by this section will not disrupt the mortgage market or reduce the availability of mortgage credit to borrowers who depend upon mortgage insurance provided under this Act.

"(d) No mortgage, advance, or loan shall be insured pursuant to this section after June 30, 1977, except pursuant to a commitment to insure made before that date. The agregate principal amount of mortgages and loans insured pursuant to this section in any fiscal year beginning on or after July 1, 1974, and ending prior to July 1, 1977, shall not exceed 20 per centum of the aggregate principal amount of all mortgages and loans insured under this title during such fiscal year. The percentage limitation specified in the preceding sentence shall also be applicable within the following categories—

"(1) mortgages and loans covering one- to four-family dwellings; and

"(2) mortgages and loans covering projects with five or more dwelling units.

"(e) The Secretary shall not withdraw, deny, or delay insurance otherwise authorized under any other provisions of this Act by reason of the availability of insurance pursuant to this section.

"(f) The Secretary shall submit to the Congress a report, not later than March 1, 1975, and annually thereafter, describing operations under this section, including the extent of mortgage participation and any special problems encountered, and setting forth any recommendations he may deem appropriate with respect to the continuation or modification of the authority contained in this section. If the Secretary shall fail to submit any such report by the date due, his authority under this section shall terminate."

FEDERAL NATIONAL MORTGAGE ASSOCIATION AMENDMENTS

SEC. 310. (a) Section 302(a)(2) of the National Housing Act is amended—

(1) by striking out "the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968" in the matter preceding subparagraph (A) and inserting in lieu thereof "September 1, 1968"; and

(2) by striking out "effective" in subparagraph (A) and (B).

(b) The third sentence of section 302(a)(2)(B) of such Act is amended—

(1) by inserting "or the metropolitan area thereof" immediately after "District of Columbia";

(2) by inserting "jurisdiction and" immediately before "venue"; and

(3) by striking out "resident thereof" and inserting in lieu thereof "District of Columbia corporation". (c) Section 302(b)(2) of such Act is amended by striking out "75 per centum" each place it appears and inserting in lieu thereof "80 per centum".

(b) Clause (C) of the second sentence of section 302(b)(2) of such Act is amended by striking out "private".

(e) The last sentence of section 302(b)(2) of such Act is amended by striking out "which are comparable to the limitations which would be applicable if the mortgage were insured by the Secretary of Housing and Urban Development under section 203(b) or 207 of the National Housing Act" and

inserting in lieu thereof the following: ", but such limitations shall not exceed the limitations contained in the first proviso of the first sentence of section 5(c) of the Home Owners' Loan Act of 1933".

SEC. 311. (a) Section 303(a) of the National Housing Act is amended—

(1) by striking out all of the first sentence which follows "directors" and inserting in lieu thereof a period; and

(2) by striking out everything after the second sentence.

(b) Section 303(c) of such Act is amended—

(1) by striking out "the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968" in the fourth sentence and inserting in lieu thereof "September 1, 1968,"; and

(2) by striking out the proviso in the last sentence.

(c) Subsections (d) and (e) of section 303 of such Act are repealed.

SEC. 312. The last sentence of section 304 (a) (1) of the National Housing Act is amended by striking out "section 502 of the Emergency Home Finance Act of 1970" and inserting in lieu thereof "section 243 of the National Housing Act".

SEC. 313. Except with respect to any person receiving an annuity on the date of the enactment of this Act, section 309(d) (2) of the National Housing Act is amended—

(1) by striking out "the termination of the transitional period referred to in section 810(b) of the Housing and Urban Development Act of 1968" and inserting in lieu thereof "January 31, 1972,";

(2) by inserting "positions listed" immediately before "in section 5312"; and

(3) by inserting before the period at the end of the next to last sentence the following: ": Provided, That with respect to any person whose employment is made subject to the civil service retirement law by section 312 of the Housing and Urban Development Act of 1974, there shall not be considered for the purposes of such law that portion of his basic pay in any one year which exceeds the basic pay provided for positions listed in section 5316 of such title 5 on the last day of such year".

SEC. 314. Subsections (b) and (c) of section 810 of the Housing and Urban Development Act of 1968 are repealed.

FEDERAL HOME LOAN MORTGAGE CORPORATION AMENDMENTS

SEC. 315. (a) Section 305(a) (1) of the Federal Home Loan Mortgage Corporation Act is amended—

(1) by striking out ", and to hold" and inserting in lieu thereof the following: ". The Corporation may hold"; and

(2) by striking out the period after "therein" and inserting in lieu thereof the following: ", and the servicing on any such mortgage may be performed by the seller or by a financial institution qualified as a seller under provisions of the preceding sentence or by a mortgagee approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act, with which institution or mortgagee the seller may contract."

(b) Section 305(a) (2) of such Act is amended—

(1) by striking out "75 per centum" each place it appears in the first sentence and inserting in lieu thereof "80 per centum";

(2) by striking out "private" in clause (C) of the first sentence; and

(3) by striking out "which are comparable to the limitations which would be applicable if the mortgage were insured by the Secretary of Housing and Urban Development under section 203(b) or 207 of the National Housing Act" and inserting in lieu thereof the following: ", but such limitations shall not exceed the limitations contained in the first proviso to the first sentence of section 5(c) of the Home Owners' Loan Act of 1933".

PROHIBITION AGAINST DISCRIMINATION IN EXTENSION OF MORTGAGE ASSISTANCE

SEC. 316. Title V of the National Housing Act is amended by adding at the end thereof the following new section:

"PROHIBITION AGAINST DISCRIMINATION ON ACCOUNT OF SEX IN EXTENSION OF MORTGAGE ASSISTANCE

"SEC. 525. No federally related mortgage loan, or Federal insurance, guaranty, or other assistance in connection therewith (under this or any other Act), shall be denied to any person on account of sex; and every person engaged in making mortgage loans secured by residential real property shall consider without prejudice the combined incomes of both husband and wife for the purpose of extending mortgage credit in the form of a federally related mortgage loan to a married couple or either member thereof.

"(b) For purposes of subsection (a), the term 'federally related mortgage loan' means any loan which—

"(1) is secured by residential real property designed principally for the occupancy of from one to four families; and

"(2) (A) is made in whole or in part by any lender the deposits or accounts of which are insured by any agency of the Federal Government, or is made in whole or in part by any lender which is itself regulated by any agency of the Federal Government; or

"(B) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary of Housing and Urban Development or any other officer or agency of the Federal Government or under or in connection with a housing or urban development program administered by the Secretary of Housing and Urban Development or a housing or related program administered by any other such officer or agency; or

"(C) is eligible for purchase by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, from any financial institution from which it could be purchased by the Federal Home Loan Mortgage Corporation; or

"(D) is made in whole or in part by any 'creditor', as defined in section 103(f) of the Consumer Credit Protection Act of 1968 (15 U.S.C. 1602(f)), who makes or invests in residential real estate loans aggregating more than $1,000,000 per year."

MORTGAGE INSURANCE FOR GROUP PRACTICE FACILITIES

SEC. 317. Section 1106 of the National Housing Act is amended as follows:

(1) Paragraph (1) is amended by inserting "or osteopathy" after "practice medicine", and by inserting after "State" where it last appears the following: "or, in the case of podiatric care or treatment, is under the professional supervision of persons licensed to practice podiatory in the State".

(2) Paragraph (2) is amended by inserting ", osteopathy," after "practice medicine", and by inserting after "dentistry in the State," the following: "or of persons licensed to practice podiatry in the State,".

(3) Paragraph (3) (A) is amended by inserting "osteopathic care," after "comprehensive medical care,", by striking out "or" after "optometric care,", and by inserting after "dental care," the following: "or podiatric care,".

(4) Paragraph (3) (B) is amended by inserting "osteopathic,", after "medical,", by striking out "or" after "optometric,", and by inserting after "dental" the following: "or podiatric".

MORTGAGE INSURANCE FOR MILITARY IMPACTED AREAS

SEC. 318. Title II of the National Housing Act, as amended, is further amended by adding the following new subsection to section 238:

"(c) The Special Risk Insurance Fund may be used by the Secretary for carrying out the mortgage insurance obligations of sections 203 and 207 to provide housing for military personnel, federal civilian employees, and federal contractor employees assigned to duty or employed at or in connection with any installation of the Armed Forces of the United States in federally-impacted areas where in the judgment of the Secretary (1) the residual housing requirements for persons not associated with such installations are insufficient to sustain the housing market in the event of substantial curtailment of employment of personnel assigned to such installations, and (2) the benefits to be derived from such use outweigh the risk of possible cost to the Government."

## TITLE IV—RURAL HOUSING

INCLUSION OF UNITED STATES TERRITORIES AND TRUST TERRITORY OF THE PACIFIC ISLANDS

SEC. 401. Section 501(a) (1) of the Housing Act of 1949 is amended by striking the words "Puerto Rico and the Virgin Islands" and inserting in lieu thereof the following language: "the Commonwealth of Puerto Rico, the Virgin Islands, the territories and possessions of the United States, and the Trust Territory of the Pacific Islands".

REFINANCING OF INDEBTEDNESS FOR CERTAIN ELIGIBLE APPLICANTS

SEC. 402. Section 501(a) (4) of the Housing Act of 1949 is amended—

(1) by adding after the comma at the end of clause (B) the following: "or, if combined with a loan for improvement, rehabilitation, or repairs and not refinanced, is likely to cause a hardship for the applicant."

(2) by striking out subparagraphs (C) and (D) and inserting in lieu thereof the following:

"(C) was incurred by the applicant at least five years prior to his applying for assistance under this title.".

LOANS TO LEASEHOLD OWNERS UNDER ALL RURAL HOUSING PROGRAMS

SEC. 403. Section 501(b) (2) of the Housing Act of 1949 is amended by striking out "sections 502 and 504" and inserting in lieu thereof "this title".

REHABILITATION LOANS AND GRANTS

SEC. 404. Section 504(a) of the Housing Act of 1949 is amended to read as follows:

"(a) In the event the Secretary determines that an eligible applicant cannot qualify for a loan under the provisions of sections 502 and 503 and that repairs or improvements should be made to a rural dwelling occupied by him, in order to make such dwelling safe and sanitary and remove hazards to the health of the occupant, his family, or the community, and that repairs should be made to farm buildings in order to remove hazards and make such buildings safe, the Secretary may make a grant or a combined loan and grant to the applicant to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, supplying screens, repairing or providing structural supports, or making similar repairs, additions, or improvements, including all preliminary and installation costs in obtaining central water and sewer service. No assistance shall be extended to any one individual under this subsection in the form of a loan grant, or combined loan

and grant in excess of $5,000. Any portion of the sums advanced to the borrower treated as a loan shall be secured and be repayable within twenty years in accordance with the principles and conditions set forth in this title, except that a loan for less than $2,500 need be evidenced only by a promissory note. Sums made available by grant may be made subject to the conditions set forth in this title for the prtoection of the Government with respect to contributions made on loans made by the Secretary.".

VETERANS PREFERENCE

SEC. 405. Section 507 of the Housing Act of 1949 is amended—

(1) by inserting after "concurrent resolution of Congress" each place it appears the following: "or during the period beginning after January 31, 1955, and ending on August 4, 1964, or during the Vietnam era (as defined in section 101(29) of title 38, United States Code),"; and

(2) by inserting "or era" before the period at the end of the third sentence.

ASSISTANCE AUTHORIZATION

SEC. 406. (a) Clauses (b), (c), and (d) of section 513 of the Housing Act of 1949 are amended to read as follows: "(b) not to exceed $75,000,000 for loans and grants pursuant to section 504 during the period beginning July 1, 1956, and ending June 30, 1977; (c) not to exceed $75,000,000 for financial assistance pursuant to section 516 for the period ending June 30, 1977; (d) not to exceed $1,000,000 per year for research and study programs pursuant to subsections (b), (c), and (d) of section 506 during the period beginning July 1, 1961, and ending June 30, 1977;".

(b) Sections 515(b)(5) and 517(a)(1) of such Act are amended by striking out "October 1, 1974" each place it appears and inserting in lieu thereof "June 30, 1977".

DIRECT AND INSURED LOANS TO PROVIDE HOUSING AND RELATED FACILITIES FOR ELDERLY PERSONS AND FAMILIES IN RURAL AREAS

SEC. 407. (a) Section 515 of the Housing Act of 1949 is amended as follows:

(1) subsection (a) is amended by inserting "public or" before the word "private" and by inserting ", and to States or political subdivisions thereof," after the word "cooperatives"; and

(2) subsection (b) is amended by (A) inserting immediately before "corporation" the words "public or private", (B) striking out "or" immediately before "partnership", (C) adding immediately after "partnership" the phrase ", or any State or political subdivision thereof", and (D) adding the words "low or" immediately before "moderate".

(b) Section 515(b)(1) of such Act is amended by striking "$750,000 or" where it appears, and striking the word "least" and substituting therefor the word "less".

(c) Section 515(d)(4) of such Act is amended to read as follows:

"(4) the term 'development cost' means the costs of constructing, purchasing, improving, altering, or repairing new or existing housing and related facilities and purchasing and improving the necessary land, including necessary and appropriate fees and charges, including initial operating expenses up to 2 per centum of the aforementioned costs, approved by the Secretary. Such fees and charges may include payments of qualified consulting organizations or foundations which operate on a nonprofit basis and which render services or assistance to nonprofit corporations or consumer cooperatives who provide housing and related facilities for low or moderate income families".

DEFINITION OF RURAL AREA

SEC. 408. Section 520 of the Housing Act of 1949 is amended by inserting immediately before the period at the end thereof the following: ", or (3) has a population in excess of 10,000 but not in excess of 15,000 and has a serious lack of mortgage credit, as determined by the Secretary and the Secretary of Housing and Urban Development".

MUTUAL AND SELF-HELP HOUSING

SEC. 409. (a) Section 523(b)(1) of the Housing Act of 1949 is amended by inserting immediately before "; and" at the end thereof the following: ": *Provided*, That the Secretary may advance funds under this paragraph to organizations receiving assistance under clause (A) to enable them to establish revolving accounts for the purchase of land options and any such advances may bear interest at a rate determined by the Secretary and shall be repaid to the Secretary at the expiration of the period for which the grant to the organization involved was made".

(b) Section 523(f) of such Act is amended—

(1) by striking out "1974" each place it appears and inserting in lieu thereof "1977"; and

(2) by striking out "$5,000,000" and inserting in lieu thereof "$10,000,000".

(c) Section 523 of such Act is amended by adding immediately after subsection (g) thereof the following new subsection (h):

"(h) The Secretary shall cause to be issued rules and regulations for the orderly processing and review of applications under this section and rules and regulations protecting the rights of grantees under this section in the event he determines to end grant assistance prior to the termination date of any grant agreement.".

DIRECT AND INSURED LOANS TO PROVIDE CONDOMINIUM HOUSING FOR LOW- AND MODERATE-INCOME FAMILIES IN RURAL AREAS

SEC. 410. (a) Title V of the Housing Act of 1949 is amended by adding at the end thereof the following new section:

"DIRECT AND INSURED LOANS TO PROVIDE CONDOMINIUM HOUSING FOR LOW- AND MODERATE-INCOME FAMILIES IN RURAL AREAS

"SEC. 525. (a) The Secretary is authorized, in his discretion and upon such terms and conditions (substantially identical insofar as may be feasible with those specified in section 502) as he may prescribe, to make loans to persons and families of low or moderate income, and to insure and make commitments to insure loans made to persons and families of low or moderate income, to assist them in purchasing dwelling units in condominiums located in rural areas.

"(b) Any loan made or insured under subsection (a) shall cover a one-family dwelling unit in a condominium, and shall be subject to such provisions as the Secretary determines to be necessary for the maintenance of the common areas and facilities of the condominium project and to such additional requirements as the Secretary deems appropriate for the protection of the consumer.

"(c) In addition to individual loans made or insured under subsection (a) the Secretary is authorized, in his discretion and upon such terms and conditions (substantially identical insofar as may be feasible with those specified in section 515) as he may prescribe, to make or insure blanket loans to a borrower who shall certify to the Secretary, as a condition of obtaining such loan or insurance under this subsection, that upon completion of the multifamily project the ownership of the project will be committed to a plan of family unit ownership under which (1) each family unit will be eligible for a loan or insurance under subsection (a), and (2) the individual dwelling units in the project will be sold only on a condominium basis and only to purchasers eligible for a loan or insurance under subsection (a). The principal obligation of any blanket loan made or insured under this subsection shall in no case exceed the sum of the individual amounts of the loans which could be made or insured with respect to the individual dwelling units in the project under subsection (a).

"(d) As used in this section, the term 'condominium' means a multiunit housing project which is subject to a plan of family unit ownership acceptable to the Secretary under which each dwelling unit is individually owned and each such owner holds an undivided interest in the common areas and facilities which serve the project.".

(b) Section 517(b) of such Act is amended by striking out "and 524" and inserting in lieu thereof "524, and 525".

(c)(1) Section 521(a) of such Act is amended—

(A) by striking out "and loans under section 515" and inserting in lieu thereof "loans under section 515";

(B) by inserting after "elderly families" the following: "and loans under section 525 to provide condominium housing for persons and families of low or moderate income,".

(2) Section 521(b) of such Act is amended—

(A) by striking out "or 517(a)(1)" and inserting in lieu thereof ", 517(a)(1), or 525(a)"; and

(3) Section 521(c) of such Act is amended by inserting immediately after "517(b)" the following: "and section 525".

CONTRACT SERVICES AND FEES

SEC. 411. (a) Section 506(a) of the Housing Act of 1949 is amended by striking out ", as may be required by the Secretary, by competent employees of the Secretary" and inserting in lieu thereof "as required by the Secretary".

(b) Section 517(j)(3) of such Act is amended by inserting after "borrowers," the following: "and other services customary in the industry, construction inspections, commercial appraisals, servicing of loans, and other related program services and expenses,".

TRANSFER OF PRE-1965 INSURED HOUSING LOANS TO THE RURAL HOUSING INSURANCE FUND

SEC. 412. Section 517(b) of the Housing Act of 1949 is amended by adding at the end thereof the following new sentences: "The notes held in the Agricultural Credit Insurance Fund (7 U.S.C. 1929) which evidence loans made or insured by the Secretary under section 514 or 515(b), the rights and liabilities of that Fund under insurance contracts relating to such loans held by insured investors, the mortgages securing the obligations of the borrowers under such loans held in that Fund or by insured investors, and all rights to subsequent collections on and proceeds of such notes, contracts, and mortgages, are hereby transferred to the Rural Housing Insurance Fund and for the purposes of this title and any other Act shall be subject to the provisions of this section as if created pursuant thereto. The Rural Housing Insurance Fund shall compensate the Agricultural Credit Insurance Fund for the aggregate unpaid principal balance plus accrued interest of the notes so transferred.".

SITE LOANS

SEC. 413. The first sentence of section 524(a) of the Housing Act of 1949 is amended to read as follows: "The Secretary may make loans, on such terms and conditions and in such amounts he deems necessary, to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to families, nonprofit organizations, public agencies, and cooperatives eligible for assistance under any section of this title, the United States Housing Act of 1937, the National

Housing Act, or any other law which provides financial assistance for housing low- and moderate-income families."

ESCROW ACCOUNTS FOR TAXES, INSURANCE, AND OTHER EXPENSES

SEC. 414. (a) Section 501 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection:

"(e) The Secretary may establish procedures whereby borrowers under this title may make periodic payments for the purposes of taxes, insurance, and such other necessary expenses as the Secretary may deem appropriate. Such payments shall be held in escrow by the Secretary and paid out by him at the appropriate time or times for the purposes for which such payments are made. The Secretary shall notify a borrower in writing when his loan payments are delinquent.".

(b) The second sentence of section 502(a) of such Act is amended by inserting before the period at the end thereof the following: "and on the borrower prepaying to the Secretary as escrow agent, on terms and conditions prescribed by him, such taxes, insurance, and other expenses as the Secretary may require in accordance with section 501(e)".

(c) Section 517 of such Act is amended—

(1) by striking out "as it becomes due" in the first sentence of subsection (d);

(2) by striking out "prepayment" and "prepayments" each place they appear in subsection (j) (1) and inserting in lieu thereof "payment" and "payments" respectively; and

(3) by inserting before the semicolon at the end of subsection (j) (1) the following: "or until the next agreed annual or semiannual remittance date".

ASSISTANCE TO NONPROFIT SPONSORS

SEC. 415. Title V of the Housing Act of 1949 is amended by adding at the end thereof (after the new section added by section 409 of this Act) the following new section:

"ASSISTANCE TO NONPROFIT SPONSORS OF LOW- AND MODERATE-INCOME RURAL HOUSING

"SEC. 526. The Secretary is authorized to provide, or contract with public or private nonprofit organizations to provide, information, advice, and technical assistance, except that a private nonprofit organization shall be required to be sponsored by a State, county, municipality, or other governmental entity or public body, such sponsorship to include assisting the applicant in the processing of the application, implementing the technical assistance program, and carrying out all obligations of the grant. The information and technical assistance provided pursuant to this section may include but not be limited to—

"(1) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low- and moderate-income housing;

"(2) the provision of advice and technical assistance to public bodies or to nonprofit or cooperative organizations with respect to the construction, rehabilitation, and operation of low- and moderate-income housing, including assistance with respect to self-help and mutual self-help programs; and

"(3) counseling on household management, self-help, budgeting, money management, child care, and related counseling services which would assist low- and moderate-income families receiving assistance under the United States Housing Act of 1937 or this Act in improving their living conditions and housing opportunities, and in meeting the responsibilities of homeownership.

"(b) The Secretary is authorized to make loans to public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him for the necessary expenses, prior to construction, of planning, and obtaining financing for, the rehabilitation or construction of housing for low-income individuals or families under any Federal, State, or local housing program which is or could be used in rural areas. Such loans shall be made without interest and shall be for the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including but not limited to preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site acquisition, ond construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion of the housing or sooner, and may cancel any part or all of such a loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

"(c) There are authorized to be appropriated for the fiscal years ending June 30, 1975, and June 30, 1976, not to exceed $5,000,000 for purposes of subsection (a) and not to exceed $5,000,000 for the purposes of subsection (b). Any amount so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this subsection but not appropriated may be appropriated for any succeeding fiscal year.

"(d) All funds appropriated for the purpose of subsection (b) shall be deposited in a fund which shall be known as the low-income sponsor fund, and which shall be available without fiscal year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of that subsection. Sums received in repayment of loans made under subsection (b) shall be deposited in such fund."

RENTAL ASSISTANCE

SEC. 416. (a) Section 521(a) of the Housing Act of 1949 is amended by inserting "(1)" after "SEC. 521. (a)", and by adding at the end thereof the following new paragraph:

"(2) (A) The Secretary may make and insure loans under this section and sections 514, 515, and 517 to provide rental or cooperative housing and related facilities for persons and families of low income in multifamily housing projects, and may make, and contract to make, assistance payments to the owners of such rental housing in order to make available to low-income occupants of such housing rentals at rates commensurate to income and not exceeding 25 per centum of income. Such supplemental assistance payments shall be made on a unit basis and shall not be made for more than 20 per centum of the units in any one project, except (i) when the project is financed by a loan under section 515 for elderly housing or by a loan under section 514 and a grant under section 516, such assistance may be made for up to 100 per centum of the units, and (ii) when the Secretary determines such action is necessary to the economic feasibility of the project, he may make such payments with respect to more than 20 per centum of the units.

"(B) The owner of any project assisted under this paragraph shall be required to provide at least annually a budget of operating expenses and record of tenants' income which shall be used to determine the amount of assistance for each project.

"(C) The project owner shall accumulate, safeguard, and periodically pay to the Secretary any rental charges collected in excess of basic rental charges. These funds may be credited to the appropriation and used by the Secretary for making such assistance payments through the end of the next fiscal year."

(b) Section 521(c) of such Act is amended to read as follows:

"(c) There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations (1) the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a) (1) exceed interest due from the borrowers during each year, and (2) the amount of assistance payments described in subsection (a) (2). The Secretary may from time to time issue notes to the Secretary of the Treasury under section 517(h) to obtain amounts equal to such unreimbursed payments, pending the annual reimbursement by appropriation."

(c) Section 517(j) of such Act is amended—

(1) by striking out "and" at the end of paragraph (2);

(2) by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new paragraph:

"(4) to make assistance payments authorized by section 521(a)(2)."

CERTAIN AMOUNTS TO BE DISREGARDED IN DETERMINING ELIGIBILITY OF LOW- AND MODERATE-INCOME PERSONS FOR ASSISTANCE UNDER RURAL HOUSING PROGRAM

SEC. 417. Title V of the Housing Act of 1949 is amended by adding at the end thereof (after the new section added by section 415 of this Act) the following new section:

"CERTAIN AMOUNTS TO BE DISREGARDED IN DETERMINING ELIGIBILITY OF LOW- AND MODERATE-INCOME PERSONS FOR ASSISTANCE UNDER RURAL HOUSING PROGRAM

"SEC. 527. Notwithstanding any other provision of law, social security benefit increases occurring after June 1974 shall not be considered as income or resources or otherwise taken into account for purposes of determining the eligibility of any individual or family for assistance pursuant to section 521 of this Act, or the amount of such assistance. For purposes of this section, the term 'social security benefit increases occurring after June 1974' has the meaning given it by section 525 of the National Housing Act."

## TITLE V—MISCELLANEOUS

### PART A—STATE DEVELOPMENT AGENCIES

DECLARATION OF PURPOSE

SEC. 501. It is the purpose of this part to encourage the formation and effective operation of State development agencies which have broad and flexible authority to carry out or assist development activities designed to (1) provide housing and related facilities for persons and families of low and moderate income, (2) promote the sound growth and development of neighborhoods through the revitalization of slum and blighted areas, (3) increase and improve employment opportunities for the unemployed and underemployed through the development and redevelopment of industrial, manufacturing, and commercial facilities, or (4) implement the development aspects of State land use and preservation policies, including the advance acquisition of land where it is consistent with such policies.

ELIGIBLE DEVELOPMENT AGENCIES

SEC. 502. (a) A State development agency is eligible for assistance under this part only if the Secretary determines that it is fully empowered and has adequate authority to at least carry out or assist in carrying out the purposes specified in clause (1) of section 501.

(b) For the purposes of this part, a "State development agency" is any public body or agency, publicly sponsored corporation, or instrumentality of one or more States which is designated by the Governor (or Governors in the case of an interstate development agency) for purposes of this part.

(c) As used in this part, the term "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States.

GUARANTEES OF OBLIGATION

SEC. 503. (a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to guarantee, and enter into commitments to guarantee, in whole or in part, the bonds, debentures, notes, and other obligations issued by State development agencies to finance, in whole or in part, development activities as determined by him to be in furtherance of the purpose of clause (2) of section 501, including the provision for such purpose of housing and related facilities for persons and families of low and moderate income. The Secretary is also authorized to make, and to contract to make, grants to any State development agency for payments in an amount equal to 30 per centum of the interest payable on obligations issued by such agency to finance development activities in furtherance of the purpose of this part. The Secretary may make such guarantees and enter into such commitments, and may make such grants or contract to make such grants, upon such terms and conditions as he may prescribe, except that no obligation shall be guaranteed or otherwise assisted under this part unless the income from such obligation is subject to Federal taxation pursuant to section 508(b), and except that use of guarantees or other assistance provided for in this part shall not be made a condition to nor preclude receipt of any other Federal assistance.

(b) The full faith and credit of the United States is pledged to the payment of all guarantees made under this part with respect to principal, interest, and any redemption premiums. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligations involved for such guarantee, and the validity of any guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligation.

(c) The Secretary is authorized to establish and collect such fees and charges for and in connection with guarantees made under this part as he considers reasonable.

(d) There are authorized to be appropriated such sums as may be necessary to make payments as provided for in contracts entered into by the Secretary under this section. The aggregate principal amount of the obligations which may be guaranteed or otherwise assisted under this part and outstanding at any one time shall not exceed $500,000,000.

LIMITATION ON GUARANTEES

SEC. 504. The Secretary shall take such steps as he considers reasonable to assure that bonds, debentures, notes, and other obligations which are guaranteed under section 503 will—

(1) be issued only to investors approved by, or meeting requirements prescribed by, the Secretary, or, if an offering to the public is contemplated, be underwritten upon terms and conditions approved by the Secretary;

(2) bear interest at a rate satisfactory to the Secretary;

(3) contain or be subject to repayment, maturity, and other provisions satisfactory to the Secretary; and

(4) contain or be subject to provisions with respect to the protection of the security interests of the United States, including any provisions deemed appropriate by the Secretary relating to subrogation, liens, and releases of liens, payment of taxes, cost certification procedures, escrow or trusteeship requirements, or other matters.

REVOLVING FUND

SEC. 505. (a) The Secretary is authorized to establish a revolving fund to provide for the timely payment of any liabilities incurred as a result of guarantees or grants under section 503 and for the payment of obligations issued to the Secretary of the Treasury under subsection (b) of this section. Such revolving fund shall be comprised of (1) receipts from fees and charges; (2) recoveries under security, subrogation, and other rights; (3) repayments, interest income, and any other receipts obtained in connection with guarantees made under section 503; (4) proceeds of the obligations issued to the Secretary of the Treasury pursuant to subsection (b) of this section; and (5) such sums, which are hereby authorized to be appropriated, as may be required for such purposes. Money in the revolving fund not currently needed for the purpose of this part shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed thereby, or in obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds.

(b) The Secretary may issue obligations to the Secretary of the Treasury in an amount sufficient to enable the Secretary to carry out his functions with respect to the guarantees authorized by section 503. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any obligations so issued, and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under that Act are extended to include purchases of the obligations hereunder.

(c) Notwithstanding any other provision of law relating to the acquisition, handling, improvement, or disposal of real and other property by the United States, the Secretary shall have power, for the protection of the interests of the fund authorized under this section, to pay out of such fund all expenses or charges in connection with the acquisition, handling, improvement, or disposal of any property, real or personal, acquired by him as a result of recoveries under security, subrogation, or other rights.

TECHNICAL ASSISTANCE

SEC. 506. The Secretary is authorized to provide, either directly or by contract or other arrangements, technical assistance to State development agencies to assist them in connection with planning and carrying out development activities in furtherance of the purpose of this part.

LABOR STANDARDS

SEC. 507. All laborers and mechanics employed by contractors or subcontractors in development activities assisted under this part shall be paid wages at rates not less than those prevailing on similar work in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5): *Provided*, That this section shall apply to the construction of residential property only if such residential property is designed for residential use for eight or more families. No assistance shall be extended under this part with respect to any development activities without first obtaining adequate assurance that these labor standards will be maintained upon the work involved in such activities. The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267), and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

GENERAL PROVISIONS

SEC. 508. (a) In the performance of, and with respect to, the functions, powers, and duties vested in him by this part, the Secretary, in addition to any authority otherwise vested to him, shall—

(1) have the power, notwithstanding any other provision of law, in connection with any guarantee under this part, whether before or after default, to provide by contract for the extinguishment upon default of any redemption, equitable, legal, or other right, title, or interest of a State development agency in any mortgage, deed, trust, or other instrument held by or on behalf of the Secretary for the protection of the security interests of the United States; and

(2) have the power to foreclose on any property or commence any action to protect or enforce any right conferred upon him by law, contract, or other agreement, and bid for and purchase at any foreclosure or other sale any property in connection with which he has provided a guarantee pursuant to this part. In the event of any such acquisition, the Secretary may, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, administer, remodel and convert, dispose of, lease, and otherwise deal with, such property. Notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in administering this part.

(b) With respect to any obligation issued by a State development agency for which the issuer has elected to receive the benefits of the assistance provided under this part, the intrest paid on such obligation and received by the purchaser thereof (or his successor in interest) shall be included in gross income for the purposes of chapter 1 of the Internal Revenue Code of 1954.

PART B—NEW COMMUNITY PROGRAM AMENDMENTS

CHANGE IN NAME OF COMMUNITY DEVELOPMENT CORPORATION

SEC. 511. (a) Part B of title VII of the Housing and Urban Development Act of 1970 is amended by striking out "Community Development Corporation" wherever it appears and inserting in lieu thereof "New Community Development Corporation".

(b) The heading of section 729 of such Act is amended by inserting "NEW" before "COMMUNITY".

MEMBERSHIP OF BOARD OF DIRECTORS OF NEW COMMUNITY DEVELOPMENT CORPORATION

SEC. 512. Section 729(b) of the Housing and Urban Development Act of 1970 is amended—

(1) by striking out "five members" in the matter preceding paragraph (1) and inserting in lieu thereof "seven members"; and

(2) by striking out "three persons" in paragraph (3) and inserting in lieu thereof "five persons".

INCREASE IN INTEREST DIFFERENTIAL GRANTS TO STATE LAND DEVELOPMENT AGENCIES

SEC. 513. The last sentence of section 713(a) of the Housing and Urban Development Act of 1970 is amended by striking out "in

amounts" and all that follows and inserting in lieu thereof "in amounts equal to 30 per centum of the interest paid on such obligations."

SUPPLEMENTARY GRANTS FOR PROJECTS ASSISTED BY NATIONAL FOUNDATION ON ARTS AND HUMANITIES

SEC. 514. Section 718(c) of the Housing and Urban Development Act of 1970 is amended by inserting before the period at the end thereof the following: ", or a project or portion of a project consisting of the purchase, renovation, or construction of facilities, the purchase of land, or the acquisition of equipment or works of art assisted by contracts or grants under section 5 of the National Foundation on the Arts and the Humanities Act of 1965".

INCLUSION OF WASTE DISPOSAL FACILITIES AND COMMUNITY OR NEIGHBORHOOD HEATING OR AIR-CONDITIONING SYSTEMS AMONG ELIGIBLE LAND IMPROVEMENTS

SEC. 515. Section 711(f) of the Housing and Urban Development Act of 1970 is amended—

(1) by striking out "sewage disposal" in the first and second sentences and inserting in lieu thereof "sewage or waste disposal";

(2) by inserting "community or neighborhood central heating or air-conditioning systems," after "storm drainage facilities," in the first sentence; and

(3) by inserting ", a community or neighborhood central heating or air-conditioning system," after "disposal installation" in the second sentence.

PART C—NATIONAL HOMESTEAD PROGRAM

SEC. 521. It is the purpose of this part to assist in alleviating the present shortage of decent housing for low- and moderate-income individuals and families through the more constructive use of federally owned residential property, while at the same time assisting in the elimination of deterioration and blight in urban and other areas and in the effective rehabilitation of those areas.

SEC. 522. (a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall—

(1) compile, maintain, and keep current a catalog of all unoccupied single-family dwellings in urban and other areas within the United States which are owned by him or his Department, and which would be suitable for occupancy and rehabilitation by qualified low- and moderate-income individuals and families under the national homestead program established by this part; and

(2) take such steps as may be necessary or appropriate (by publication, advertisement, or otherwise) to assure that the residents of each community or area in which any of such dwellings is located will be fully and currently informed of (A) the existence, nature and location of such dwellings, (B) the qualifications required for participation in the program under this part and (C) the terms and conditions on which such dwellings may be conveyed to qualified persons.

(b) The dwellings included in the catalog compiled under subsection (a) shall be offered to qualified low- and moderate-income applicants in accordance with this part without regard to their race, color, religion, sex, or national origin but with due consideration in each case of the suitability of the dwelling involved for the applicant's family (taking into account its size and composition and other relevant factors).

SEC. 523. An applicant is qualified, for purposes of participation in the program under this part with respect to any dwelling, only if he or she—

(1) is eighteen years of age or older;

(2) is the head of his or her household;

(3) is a citizen of the United States;

(4) has not previously participated in the program;

(5) is not the owner of any other real property; and

(6) possesses the financial, technical, and other resources which are necessary (as determined under regulations prescribed by the Secretary) to rehabilitate such dwelling in accordance with his or her agreement entered into under section 524.

SEC. 524. (a) The conveyance of any dwelling to an applicant under the program shall be made on a conditional basis, in return for the payment by such applicant of $1 and the execution by such applicant of an agreement as described in subsection (b).

(b) Each applicant for a dwelling under the program shall enter into an agreement, in such manner and form as the Secretary may require, that he or she—

(1) will reside in the dwelling (and maintain it as his or her principal residence) for a period of at least five years;

(2) will during such period rehabilitate and maintain the dwelling so that it satisfies all of the requirements of applicable State and local law, including building plumbing, electrical, fire prevention, and related codes;

(3) will carry adequate fire and liability insurance on the dwelling at all times;

(4) will permit inspections of the dwelling to be made at reasonable times by agents or employees of the Secretary for the purpose of determining the progress of the rehabilitation; and

(5) will comply with such additional terms, conditions, and requirements as the Secretary may impose in order to assure that the purpose of this part is carried out.

(c) Upon any material failure by the applicant to carry out his or her agreement entered into under subsection (b) with respect to the dwelling, the conditional conveyance of title to such applicant under subsection (a) shall be revoked, and all right, title, and interest in and to the dwelling shall revert to the Secretary; except that the Secretary may in his discretion grant the applicant, on the basis of need or otherwise, a specified period or extension of time not exceeding two years in which to come into compliance with the terms of the agreement and thereby avoid such revocation and reversion.

(d) After the applicant has resided in the dwelling for the required five-year period and has rehabilitated and maintained it and otherwise complied with the terms of his or her agreement throughout such period, the Secretary shall convey to the applicant fee simple title to the dwelling (including the land on which it is situated).

SEC. 525. The Secretary shall prescribe such rules and regulations, including rules and regulations establishing standards and methods for the inspection of dwellings and the measurement of rehabilitation progress, as may be necessary or appropriate to carry out this part.

SEC. 526. (a) The legal title to and ownership of any dwelling conditionally conveyed to an applicant under section 524(a) shall remain in the Secretary for purposes of all Federal, State, and local laws until fee simple title to such dwelling is conveyed to such applicant under section 524(d); and the conditional conveyance of such dwelling shall specifically so provide. During the period prior to fee simple conveyance such dwelling shall be subject to State and local property taxes only to the extent that other federally owned real property is or would be subject to such taxes under similar conditions.

(b) To the extent he finds it feasible and desirable and consistent with the purpose of this part, the Secretary may enter into agreements with State and local governments and agencies under which single-family dwellings owned by them may be included in the catalog compiled under section 522. Under regulations prescribed by the Secretary, modifying the provisions of this part to the extent necessary or appropriate to take account of differences resulting from State or local ownership, any dwelling so included shall be offered and conveyed to qualified applicants in the same manner and on the same terms and conditions as dwellings owned by the Secretary.

(c) Section 312(a)(1) of the Housing Act of 1964 is amended by adding "or" after the semicolon at the end of subparagraph (C), and by adding at the end thereof the following new subparagraph:

"(D)(i) the property is being occupied pursuant to an agreement entered into under part C of title V of the Housing and Urban Development Act of 1974, and (ii) the loan is made to assist the occupant in carrying out his or her responsibilities under that agreement;".

SEC. 527. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this part.

PART D—MISCELLANEOUS PROVISIONS

INCREASE IN AUTHORIZATION FOR COMPREHENSIVE URBAN PLANNING; PARTICIPATION OF THE TRUST TERRITORY OF THE PACIFIC

SEC. 531. (a) Section 701(b) of the Housing Act of 1954 is amended by inserting immediately after the fifth sentence the following new sentence: "In addition, there is authorized to be appropriated for the purpose of this section not to exceed $130,000,000 for the fiscal year beginning on July 1, 1974."

(b) Section 703 of the Housing Act of 1954 is amended by striking out the word "and" in clause (1) and by inserting ", and the Trust Territory of the Pacific Islands" immediately before the semicolon at the end of such clause.

COUNSELING AND TECHNICAL ASSISTANCE

SEC. 532. (a) Section 106 of the Housing and Urban Development Act of 1968 is amended by rewriting the headings to read as follows "TECHNICAL ASSISTANCE, COUNSELING TO TENANTS AND HOMEOWNERS, AND LOANS TO SPONSORS OF LOW- AND MODERATE-INCOME HOUSING".

(b) Section 106(a)(1)(iii) of such Act is amended to read as follows:

(iii) the provision of training and counseling programs (including preoccupancy programs) for low- and moderate-income tenants and homeowners, including but not limited to, housing selection and purchase procedures, family budgeting, property use and maintenance, household management, and utilization of community resources; and".

(c) Section 106(a)(1) of such Act is amended by adding at the end thereof the following new subparagraph:

"(iv) the provision of technical assistance to communities, particularly smaller communities, to assist such communities in planning, developing, and administering Community Development Programs pursuant to title I of the Housing and Urban Development Act of 1974."

(d) Section 106(a)(2) of such Act is amended by striking out "not to exceed $5,000,000" and inserting in lieu thereof "such sums as may be necessary".

(e) Section 106(b)(1) of such Act is amended by inserting "or public housing agencies" immediately after "nonprofit organizations".

(f) Section 106(b)(2) of such Act is amended by inserting "or public housing agency" immediately after "nonprofit organization".

LIMITATION ON WITHHOLDING OR CONDITIONING OF ASSISTANCE

SEC. 533. Assistance provided for in this Act, the National Housing Act, the United States Housing Act of 1937, the Housing Act of 1949, the Demonstration Cities and Metropolitan Development Act of 1966, and the Housing and Urban Development Acts of 1965, 1968, 1969, and 1970 shall not be withheld or made subject to conditions or preference by reason of the tax-exempt status of bonds or other obligations issued or to be issued to provide financing for use in connection with such assistance, except where otherwise expressly provided or authorized by law.

ADDITIONAL RESEARCH AUTHORITY

SEC. 534. Title V of the Housing and Urban Development Act of 1970 is amended by adding at the end thereof the following new section:

"ADDITIONAL RESEARCH AUTHORITY

"SEC. 509. (a) In carrying out activities under section 501, the Secretary may undertake special demonstrations to determine the housing design, the housing structure, and the housing-related facilities, services, and amenities most effective or appropriate to meet the needs of groups with special housing needs including the elderly, the handicapped, the displaced, single individuals, broken families, and large households. For this purpose, the Secretary is authorized to enter into contracts with, to make grants to, and to provide other types of assistance to individuals and entities with special competence and knowledge to contribute to the planning, developing, design, and management of such housing.

"(b) In carrying out his functions under this section, the Secretary shall give preferential attention to demonstrations which in his judgment involve areas of housing user needs most neglected in past and current research and demonstration efforts.

"(c) The Secretary is authorized to undertake demonstrations involving the actual planning, development, and occupancy of housing utilizing the contract and loan authority of any federally assisted housing program. He is also authorized to set aside any development, construction, design, and occupancy requirements, for purposes of these demonstrations, if in his judgment they inhibit the testing of housing designed to meet the special housing needs.

"(d) In carrying out this section, the Secretary shall include, as part of any demonstration, an evaluation of the demonstration to cover the full experience involved in planning, development, and occupancy.

"(e) In addition to any other contract or loan authority which the Secretary may utilize under subsection (c), not more than $10,000,000 from amounts approved in appropriation Acts shall be available for research under this section."

MATERIALS, DESIGN, AND CONSTRUCTION REQUIREMENTS FOR LOW- AND MODERATE-INCOME HOUSING

SEC. 535. The Secretary of Housing and Urban Development shall take such steps as may be necessary (including the insertion of appropriate requirements, specifications and enforcement provisions in assistance contracts) to make certain that all housing which is constructed for use by low- or moderate-income families with assistance under any law or program administered by the Secretary or under his jurisdiction is designed and constructed in such manner, and utilizes materials of such quality and durability, as to assure to the maximum extent feasible that such housing will have a long economic life, resist deterioration, and provide ease of maintenance, regardless of any savings in cost which might otherwise be realized through the use or application of inferior design, construction, or materials.

FLOOD INSURANCE PROGRAM

SEC. 536. Chapter III of title XIII of the Housing and Urban Development Act of 1968 is amended by adding at the end thereof the following new section:

"NOTICE OF FLOOD HAZARDS

"SEC. 1364. Each Federal instrumentality responsible for the supervision, approval, regulation, or insuring of banks, savings and loan associations, or similar institutions shall by regulation require such institutions, as a condition of making, increasing, extending, or renewing (after the expiration of thirty days following the date of the enactment of this section) any loan secured by improved real estate or a mobile home located or to be located in an area that has been identified by the Secretary under this title or Public Law 93-233 as an area having special flood hazards, to notify the purchaser or lessee (or obtain satisfactory assurances that the seller or lessor has notified the purchaser or lessee) of such special flood hazards, in writing, a reasonable period in advance of the signing of the purchase agreement, lease, or other documents involved in the transaction."

ADDITIONAL ASSISTANT SECRETARIES OF HOUSING AND URBAN DEVELOPMENT

SEC. 537. (a) Section 4 of the Department of Housing and Urban Development Act (Public Law 89-174, 79 Stat. 667) is amended—

(1) by striking out "six" in the first sentence of subsection (a) and inserting in lieu thereof "eight";

(2) by striking out subsection (b); and

(3) by redesignating subsections (c) and (d) as subsections (b) and (c), respectively.

(b) Section 5316 of title 5, United States Code, is amended by striking out paragraph (122).

(c) Paragraph (87) of section 5315 of title 5, United States Code, is amended by striking out "(6)" and inserting in lieu thereof "(8)".

SEC. 538. Notwithstanding the provisions of section 133(b) of the Housing Act of 1949 or of any other law, local expenditures made in connection with the Broad and Front Street Garage in Trenton, New Jersey, shall, to the extent otherwise eligible, be counted as a local grant-in-aid to the first two action years of the Trenton Neighborhood Development Program (N.J. A-1) in accordance with the provisions of title I of the Housing Act of 1949.

SEC. 539. Section 1307 of the National Flood Insurance Act of 1968 is amended by adding at the end thereof the following new subsection:

"(e) Notwithstanding any other provision of law, any community that has made adequate progress, acceptable to the Secretary on the construction of a flood protection system which will afford flood protection for the one-hundred year frequency flood as determined by the Secretary, shall be eligible for flood insurance under this title (if and to the extent it is eligible for such insurance under the other provisions of this title) at premium rates not exceeding those which would be applicable under this section if such flood protection system had been completed: *Provided, however*, That the Secretary shall find that adequate progress as required herein, has been made if: (a) 100 percent of the project cost of the system has been authorized, and; (b) at least 60 percent of the project cost of the system has been appropriated, and; (c) at least 50 percent of the project cost of the system has been expended, and; (d) the system is at least 50 percent completed."

CONDOMINIUM AND COOPERATIVE STUDY

SEC. 540. (a) The Secretary of Housing and Urban Development is authorized and directed to conduct a full and complete investigation and study, and report to Congress not later than one year after the date of enactment of this Act, with respect to condominiums and cooperatives, the problems, difficulties, abuses or potential abuses applicable to such housing.

SEC. 541. Participation by a unit of local government in any program authorized by this Act shall not be affected in any way by such unit's membership or non-membership in a regional planning organization or council of governments.

## TITLE VI—CONSUMER HOME MORTGAGE ASSISTANCE

SHORT TITLE

SEC. 600. This title may be cited as the "Consumer Home Mortgage Assistance Act of 1974".

### PART A—LENDING AND INVESTMENT POWERS, FEDERAL SAVINGS AND LOAN ASSOCIATIONS

CONSTRUCTION LOANS

SEC. 601. Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding at the end thereof the following new paragraph:

"Without regard to any other provision of this subsection, any such association is authorized to invest an amount, not exceeding the greater of (i) the sum of its surplus, undivided profits, and reserves or (ii) 5 per centum of its assets, in loans or in interests therein the principal purpose of which is to provide financing with respect to what is or is expected to become primarily residential real estate within one hundred miles of their home office or within the State in which such office is located where (i) the association relies substantially for repayment on the borrower's general credit standing and forecast of income, with or without other security, or (ii) the association relies on other security as collateral for the loans, including but not limited to a guaranty or similar obligation of a third party, and in either case described in clause (i) or (ii) immediately preceding, regardless of whether or not the association takes a security interest in real estate (whether or not constituting a first lien) as additional protection.".

SINGLE FAMILY DWELLING LIMITATIONS

SEC. 602. Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by striking out "$45,000" immediately before "for each single family dwelling" and inserting in lieu thereof "$55,000 (except that with respect to dwellings in Alaska, Guam, and Hawaii the foregoing limitation may, by regulation of the Board, be increased by not to exceed 50 per centum)"; and by inserting immediately after "upon improved real estate without regard to the foregoing limitations" the following: "but (of said last mentioned 20 per centum) the amount deemed to be loaned in transactions which, except for excess in amount, would be eligible for such association under provisions of this sentence (other than this exception) or under the next following sentence shall be only the outstanding amount of such excess.".

LENDING AUTHORITY UNDER THE HOME OWNERS' LOAN ACT

SEC. 603. Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)), as amended by section 601 of this Act, is amended by adding at the end thereof the following new paragraph:

"Subject to such prohibitions, limitations, and conditions as the Board may prescribe, any such association may invest in loans and

advances of credit and interests therein upon the security of or respecting real property or interests therein used for primarily residential purposes (all of which may be defined by the Board) that do not comply with the limitations and restrictions in this subsection, but no investment shall be made by an association under this sentence if its aggregate outstanding investment under this sentence determined as prescribed by the Board, exclusive of any investment which is or at the time of its making was otherwise authorized, would thereupon exceed 10 per centum of its assets.".

AMENDMENT TO THE HOME OWNERS' LOAN ACT OF 1933 CONCERNING PROPERTY IMPROVEMENT LOANS

SEC. 604. The second and third undesignated paragraphs of section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) are amended by striking out "$5,000" and inserting in lieu thereof "$10,000".

AMENDMENT TO TITLE IV OF THE NATIONAL HOUSING ACT CONCERNING ASSET REQUIREMENTS OF INSURED INSTITUTIONS

SEC. 605. The third sentence of section 403 (b) of the National Housing Act (12 U.S.C. 1726(b)) is amended by striking out "twenty years" in the first proviso and inserting in lieu thereof "thirty years", and by striking out the second proviso.

PART B—NATIONAL BANKS

REAL ESTATE LOANS BY NATIONAL BANKS

SEC. 611. Section 24 of the Federal Reserve Act (12 U.S.C. 371) is amended to read as follows:

"REAL ESTATE LOANS BY NATIONAL BANKS

SEC. 24. (a) (1) Any national banking association may make real estate loans secured by liens upon unimproved real estate, upon improved real estate, including improved farmland and improved business and residential properties, and upon real estate to be improved by a building or buildings to be constructed or in the process of construction, in an amount which added to the amount unpaid upon prior mortgages, liens, encumbrances, if any, upon such real estate does not exceed the respective proportions of appraised value as provided in this section. A loan secured by real estate within the meaning of this section shall be in the form of an obligation or obligations secured by a mortgage, trust deed, or other instrument, which shall constitute a lien on real estate in fee or, under such rules and regulations as may be prescribed by the Comptroller of the Currency, on a leasehold under a lease which does not expire for at least ten years beyond the maturity date of the loan, and any national banking association may purchase or sell any obligations so secured in whole or in part. The amount of any such loan hereafter made shall not exceed 66⅔ per centum of the appraised value if such real estate is unimproved, 75 per centum of the appraised value if such real estate is improved by offsite improvements such as streets, water, sewers, or other utilities, 75 per centum of the appraised value if such real estate is in the process of being improved by a building or building to be constructed or in the process of construction, or 90 per centum of the appraised value if such real estate is improved by a building or buildings. If any such loan exceeds 75 per centum of the appraised value of the real estate or if the real estate is improved with a one- to four-family dwelling, installment payments shall be required which are sufficient to amortize the entire principal of the loan within a period of not more than thirty years.

"(2) The limitations and restrictions set forth in paragraph (1) shall not prevent the renewal or extension of loans heretofore made and shall not apply to real estate loans (A) which are insured under the provisions of the National Housing Act, (B) which are insured by the Secretary of Agriculture pursuant to title I of the Bankhead-Jones Farm Tenant Act, or the Act of August 28, 1937, as amended, or title V of the Housing Act of 1949, as amended, or (C) which are guaranteed by the Secretary of Housing and Urban Development for the payment of the obligations of which the full faith and credit of the United States is pledged, and such limitations and restrictions shall not apply to real estate loans which are fully guaranteed or insured by a State, or any agency or instrumentality thereof, or by a State authority for the payment of the obligations of which the faith and credit of the State is pledged, if under the terms of the guaranty or insurance agreement the association will be assured of repayment in accordance with the terms of the loan, or to any loan at least 20 per centum of which is guaranteed under chapter 37 of title 38, United States Code.

"(3) Loans which are guaranteed or insured as described in paragraph (2) shall not be taken into account in determining the amount of real estate loans which a national banking association may make in relation to its capital and surplus or its time and savings deposits or in determining the amount of real estate loans secured by other than first liens. Where the collateral for any loan consists partly of real estate security and partly of other security, including a guaranty or endorsement by or an obligation or commitment of a person other than the borrower, only the amount by which the loan exceeds the value as collaterial of such other security shall be considered a loan upon the security of real estate, and in no event shall a loan be considered as a real estate loan where there is a valid and binding agreement entered into by a financially responsible lender or other party either directly with the association or which is for the benefit of or has been assigned to the association and pursuant to which agreement the lender other party is required to advance to the association within sixty months from the date of the making of said loan the full amount of the loan to be made by the association upon the security of real estate. Except as otherwise provided, no such association shall make real estate loans in an aggregate sum in excess of the amount of the capital stock of such association paid in and unimpaired plus the amount of its unimpaired surplus fund, or in excess of the amont of its time and savings deposits, whichever is greater: *Provided*, That the amount unpaid upon real estate loans secured by other than first liens when added to the amount unpaid upon prior mortgages, liens, and encumbrances shall not exceed in an aggregate sum 20 per centum of the amount of the capital stock of such association paid in and unimpaired plus 20 per centum of the amount of its unimpaired surplus fund.

"(b) Any national banking association may make real estate loans secured by liens upon forest tracts which are properly managed in all respects. Such loans shall be in the form of an obligation or obligations secured by mortgage, trust deed, or other such instrument; and any national banking association may purchase or sell any obligations so secured in whole or in part. The amount of any such loan, when added to the amount unpaid upon prior mortgages, liens, and encumbrances, if any, shall not exceed 66⅔ per centum of the appraised fair market value of the growing timber, lands, and improvements thereon offered as security and the loan shall be made upon such terms and conditions as to assure that at no time shall the loan balance, when added to the amount unpaid upon prior mortgages, liens, and encumbrances, if any, exceed 66⅔ per centum of the original appraised total value of the property then remaining. No such loan shall be made for a longer term than three years; except that any such loan may be made for a term not longer than fifteen years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize the principal of the loan within a period of not more than fifteen years and at a rate of at least 6⅔ per centum per annum. All such loans secured by liens upon forest tracts shall be included in the permissible aggregate of all real estate loans and, when secured by other than first liens, in the permissible aggregate of all real estate loans secured by other than first liens, prescribed in subsection (a), but no national banking association shall make forest tract loans in an aggregate sum in excess of 50 per centum of its capital stock paid in and unimpaired plus 50 per centum of its unimpaired surplus fund.

"(c) Loans made to finance the construction of a building or buildings and having maturities of not to exceed sixty months where there is a valid and binding agreement entered into by a financially responsible lender or other party to advance the full amount of the bank's loan upon completion of the building or buildings, and loans made to finance the construction of residential or farm buildings and having maturities of not to exceed sixty months, may be considered as real estate loans if the loans qualify under this section, or such loans may be classed as commercial loans whether or not secured by a mortgage or similar lien on the real estate upon which the building or buildings are being constructed at the option of each national banking association that may have an interest in such loans: *Provided*, That no national banking association shall invest in, or be liable on, any such loans classed as commercial loans under this subsection in an aggregate amount in excess of 100 per centum of its actually paid-in and unimpaired capital plus 100 per centum of its unimpaired surplus fund.

"(d) Notes representing loans made under this section to finance the construction of residential or farm buildings and having maturities of not to exceed nine months shall be eligible for discount as commercial paper within the terms of the second paragraph of section 13 of this Act if accompanied by a valid and binding agreement to advance the full amount of the loan upon the completion of the building entered into by an individual, partnership, association, or corporation acceptable to the discounting bank.

"(e) Loans made to any borrower (i) where the association looks for repayment by relying primarily on the borrower's general credit standing and forecast of income, with or without other security, or (ii) secured by an assignment of rents under a lease, and where, in either case described in clause (i) or (ii) above, the association wishes to take a mortgage, deed of trust, or other instrument upon real estate (whether or not constituting a first lien) as a precaution against contingencies, and loans in which the Small Business Administration cooperates through agreements to participate on an immediate or deferred or guaranteed basis under the Small Business Act shall not be considered as real estate loans within the meaning of this section but shall be classed as commercial loans.

"(f) Any national banking association may make loans upon the security of real estate that do not comply wtih the limitations and

restrictions in this section, if the total unpaid amount loaned, exclusive of loans which subsequently comply with such limitations and restrictions, does not exceed 10 per centum of the amount that a national banking association may invest in real estate loans. The total unpaid amount so loaned shall be included in the aggregate sum that such association may invest in real estate loans.

"(g) Loans made pursuant to this section shall be subject to such conditions and limitations as the Comptroller of the Currency may prescribe by rule or regulation.".

PART C—FEDERAL CREDIT UNIONS

LENDING AUTHORITY AND DEPOSITORY AUTHORITY

SEC. 621. (a) Paragraph (6) of section 107 of the Federal Credit Union Act (12 U.S.C. 1757(6)) is amended to read as follows:

"(6) to make loans to its own directors and to members of its own supervisory credit committee provided that any such loan or aggregate of loans to one director or committee member which exceeds $2,500 plus pledged shares, must be approved by the board of directors and to permit directors and members of its own supervisory or credit committee to act as guarantor or endorser of loans to other members, except when such a loan standing alone or when added to any outstanding loan or loans of the guarantor exceeds $2,500, approval by the board of directors is required;".

(b) Paragraph (9) of such section is amended by inserting immediately before the semicolon at the end thereof the following: ", and for Federal credit unions or credit unions authorized by the Department of Defense operating suboffices on American military installations in foreign countries or trust territories of the United States to maintain demand deposit accounts in banks located in those countries or trust territories subject to such regulations as may be issued by the Administrator and provided such banks are correspondents of banks described in this paragraph".

FEES

SEC. 622. The first sentence of section 109 of the Federal Credit Union Act (12 U.S.C. 1759) is amended by striking out "the entrance fee" and inserting in lieu thereof "a uniform entrance fee if required by the board of directors".

DIRECTORS

SEC. 623. (a) The third sentence of section 113 of the Federal Credit Union Act (12 U.S.C. 1761b) is amended by inserting ", except that the board may designate a committee of not less than two to act as an investment committee, such investment committee to have charge of making investments under rules and procedures established by the board of directors" immediately after "have charge of investments other than loans to members".

(b) The fourth sentence of such section is amended by striking out "act for it in the purchase and sale of securities, the borrowing of funds, and making of loans to other credit unions" and inserting in lieu thereof "exercise such authority as may be delegated to it subject to such conditions and limitations as may be prescribed by the board".

(c) The fifth sentence of such section is amended by striking out "a membership officer" and inserting in lieu thereof "one or more membership officers".

(d) Such section is amended by adding at the end thereof the following new sentence: "If a membership application is denied, the reasons therefor shall be furnished in writing to the person whose application is denied, upon written request.".

CREDIT COMMITTEE

SEC. 624. Section 114 of the Federal Credit Union Act (12 U.S.C. 1761c) is amended to read as follows:

"CREDIT COMMITTEE

"SEC. 114. The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month to consider applications for loans and loan plans offered in accordance with regulations promulgated by the Administrator. Reasonable notice of such meetings shall be given to all members of the committee. No loan or loans plan shall be made unless it is approved by a majority of the committee who are present at the meeting at which the application is considered; except that the credit committee may appoint one or more loan officers, and delegate to him or them the power to approve loans and loan plans. Each loan officer shall furnish to the credit committee a record of each loan and loan plan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans and loan plans not approved by a loan officer shall be acted upon by the credit committee. No individual shall have the authority to disburse funds of the Federal credit union for any loan or loan plan which has been approved by him in his capacity as a loan officer. Not more than one member of the credit committee may be appointed as a loan officer. Applications for loans and loan plans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan or loan plan is desired, the security, if any, and such other data as may be required. No loan or loan plan which is not adequately secured may be made to any member, if, upon the making of that loan or loan plan, the member would be indebted to the Federal credit union upon loans or loan plans made to him in an aggregate amount which, in the case of a credit union whose unimpaired capital and surplus is less than $8,000, would exceed $200, or which, in the case of any other credit union, would exceed 2½ per centum of its unimpaired capital and surplus. No loan or loan plan may be made to any member if, upon the making of that loan or loan plan, the member would be indebted to the Federal credit union upon loans or loan plans made to him in an aggregate amount which would exceed $200 or 10 per centum of the credit union's unimpaired capital and surplus, whichever is greater. For the purposes of this section an assignment of shares or the endorsement of a note shall be deemed security and subject to such regulations as the Administrator may prescribe, insurance obtained under title I of the National Housing Act shall be deemed adequate security.".

SUPERVISORY COMMITTEES

SEC. 625. Section 115 of the Federal Credit Union Act (12 U.S.C. 1761d) is amended by striking out "a semiannual" and inserting in lieu thereof "an annual".

DIVIDENDS

SEC. 626. (a) The first sentence of section 117 of the Federal Credit Union Act (12 U.S.C. 1763) is amended by striking out "Annually, semiannually, or quarterly, as the bylaws may provide" and inserting in lieu thereof "At such intervals as the board of directors may authorize".

(b) The last sentence of such section is amended by striking out "for a month", and by striking out "which are or become fully paid up during the first ten days of that month" and inserting in lieu thereof "as authorized by the boards of directors".

APPLICABILITY

SEC. 627. Section 126 of the Federal Credit Union Act (12 U.S.C. 1772) is amended by inserting immediately after "the several territories" the following: ", including the trust territories,".

DEFINITION OF MEMBERS ACCOUNTS

SEC. 628. Section 202(h) of the Federal Credit Union Act (12 U.S.C. 1782(h)) is amended—

(1) by striking out "and" at the end of paragraph (1);

(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (2) the following new paragraph:

"(3) the term 'members accounts' when applied to the premium charge of insurance of the accounts of federally insured credit unions shall not include amounts in excess of the insured account limit set forth in section 207(c)."

TERMINATION

SEC. 629. (a) Section 206(a) of the Federal Credit Union Act (12 U.S.C. 1786(a)) is amended to read as follows:

"(a)(1) Any insured credit union other than a Federal credit union may, upon not less than ninety days' written notice to the Administrator and upon the affirmative vote of a majority of its members within one year prior to the giving of such notice, terminate its status as an insured credit union.

"(2) Any insured credit union, other than a Federal credit union, which has obtained a new certificate of insurance from a corporation authorized and duly licensed to insure member accounts may upon not less than ninety days' written notice to the Administrator convert from status as an insured credit union under this Act: *Provided*, That at the time of giving notice to the Administrator the provisions of paragraph (b)(1) of this section are not being invoked against the credit union.".

(b) The first sentence of section 206(c) of such Act is amended by inserting "(1)" immediately after "(a)".

(c) Section 206(d) of such Act is amended by inserting "(1)" immediately after "(d)", and by adding at the end thereof the following new paragraphs:

"(2) No credit union shall convert from status as an insured credit union under this Act as provided under subsection (a)(2) of this section until the proposition for such conversion has been approved by a majority of all the directors of the credit union, and by affirmative vote of a majority of the members of the credit union who vote on the proposition. Following approval by the directors, written notice of the proposition and of the date set for the membership vote shall be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. The membership shall be given the opportunity to vote by mail ballot. If the proposition is approved by the membership, prompt and reasonable notice of insurance conversion shall be given to all members.

"(3) In the event of a conversion of a credit union from status as an insured credit union under this Act as provided under subsection (a)(2) of this section, premium charges payable under section 202(c) of this Act shall be reduced by an amount proportionate to the number of calendar months for which the converting credit union will no longer be insured under this Act. As long as a converting credit union remains insured under this Act, it shall remain subject to all of the provisions of chapter II of this Act.".

LIQUIDATION

SEC. 630. Section 208(a)(1) of the Federal Credit Union Act (12 U.S.C. 1788(a)(1)) is amended to read as follows:

"(1) In order to reopen a closed insured credit union or in order to prevent the closing of an insured credit union which the Administrator has determined is in danger of closing or in order to assist in the voluntary liquidation of a solvent credit union, the Administrator, in his discretion, is authorized to make loans to, or purchase the assets of, or establish accounts in such insured credit union upon such terms and conditions as he may prescribed. Except with respect to the voluntary liquidation of a solvent credit union, such loans shall be made and such account shall be established only when, in the opinion of the Administrator, such action is necessary to protect the fund or the interests of the members of the credit union."

Amend the title so as to read: "An Act to establish a program of community development block grants, to amend and extend laws relating to housing and urban development, and for other purposes.

Mr. SPARKMAN. Mr. President, I move that the Senate disagree to the amendments of the House to S. 3066 and agree to a conference with the House of Representatives 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 (Mr. BIDEN) appointed Mr. SPARKMAN, Mr. PROXMIRE, Mr. WILLIAMS, Mr. CRANSTON, Mr. TOWER, Mr. BROOKE, and Mr. BROCK conferees on the part of the Senate.

## 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 amendment of the Senate to the bill (H.R. 14291) to amend the Northwest Atlantic Fisheries Act of 1950 to permit U.S. participation in international enforcement of fish conservation in additional geographic areas, pursuant to the International Convention for the Northwest Atlantic Fisheries, 1949, and for other purposes.

The message also announced that the House had passed the joint resolution (H.J. Res. 1057) to extend by 30 days the expiration date of the Export Administration Act of 1969, in which it requests the concurrence of the Senate.

The message further announced that the House disagrees to the amendments of the Senate to the resolution (H.J. Res. 1062) making continuing appropriations for the fiscal year 1975, 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. PASSMAN, Mr. FLOOD, Mrs. HANSEN of Washington, Mr. CASEY, Mr. CEDERBERG, Mr. MINSHALL, Mr. MICHEL, and Mr. SHRIVER were appointed managers of the conference on the part of the House.

## EXTENSION FOR 30 DAYS OF THE EXPIRATION DATE ON DEFENSE PRODUCTION ACT OF 1950

Mr. SPARKMAN. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on House Joint Resolution 1056.

The PRESIDING OFFICER laid before the Senate House Joint Resolution 1056, a joint resolution to extend by 30 days the expiration date of the Defense Production Act of 1950, which was read twice by its title.

Mr. SPARKMAN. Mr. President, I ask unanimous consent that the Senate proceed to its immediate consideration.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the joint resolution.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator from Alabama yield?

Mr. SPARKMAN. I yield.

Mr. HARRY F. BYRD, JR. Does this deal in any way with the Export-Import Bank?

Mr. SPARKMAN. Not at all. This is on the Defense Production Act. The one the Senator refers to I hope to call up sometime later today, in which the Senator from Wisconsin (Mr. PROXMIRE) has an interest.

Mr. HARRY F. BYRD, JR. Could I ask the Senator to notify the Senator from Virginia when the Export-Import Bank measure is brought before the Senate?

Mr. SPARKMAN. Yes, indeed. It is not an extension of the Export-Import Bank but a simple extension for 30 days—a continuing resolution thereon.

Mr. HARRY F. BYRD, JR. That is as I understand it, yes—I should like to be present when that is called up.

The joint resolution (H.J. Res. 1056) was considered, ordered to a third reading, was read the third time, and passed.

Mr. SPARKMAN. Mr. President, I move that the vote by which the joint resolution was agreed to be reconsidered.

Mr. MANSFIELD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

## REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. McGEE, from the Committee on Post Office and Civil Service, with amendments:

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 (Rept. No. 93-961).

By Mr. GRAVEL, from the Committee on Public Works, without amendment:

S. 3490. A bill providing that funds apportioned for forest highways under section 202(a), title 23, United States Code, remain available until expended (Rept. No. 93-962).

By Mr. McCLELLAN, from the Committee on Appropriations, without amendment:

H.J. Res. 1061. A joint resolution making further urgent supplemental appropriations for the fiscal year ending June 30, 1974, for the Veterans' Administration, and for other purposes (Rept. No. 93-963).

## EXECUTIVE REPORTS OF COMMITTEES

As in executive session, the following favorable reports of nominations were submitted:

By Mr. FULBRIGHT, from the Committee on Foreign Relations:

Robert Stephen Ingersoll, of Illinois, to be Deputy Secretary of State; and

Carlyle E. Maw, of New York, to be Under Secretary of State for Coordinating Security Assistance Programs.

(The above nominations were reported with the recommendation that they be confirmed, subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

By Mr. MAGNUSON, from the Committee on Commerce:

Charles Luna, of Texas; Joseph V. MacDonald, of New York; Frank S. Besson, Jr., of Virginia; Mary J. Head, of Oklahoma; and Edward L. Ullman, of Washington, to be members of the Board of Directors of the National Railroad Passenger Corporation.

William W. Scranton, of Pennsylvania; Gale B. Aydelott, of Colorado; James E. Burke, of New Jersey; Frank H. Blatz, Jr., of New Jersey; Samuel B. Payne, of Massachusetts; W. K. Smith, of Minnesota; Donald P. Jacobs, of Illinois; and Robert Galbraith Dunlop, of Pennsylvania, to be members of the Board of Directors of the U.S. Railway Association.

Arthur D. Lewis, of Connecticut, to be chairman of the Board of Directors of the U.S. Railway Association.

(The above nominations were reported with the recommendation that they be confirmed, subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

Mr. MAGNUSON. Mr. President, as in executive session, I also report favorably sundry nominations in the National Oceanic and Atmospheric Administration which have previously appeared in the CONGRESSIONAL RECORD and, to save the expense of printing them on the Executive Calendar, I ask unanimous consent that they lie on the Secretary's desk for the information of Senators.

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

(The nominations ordered to lie on the Secretary's desk were printed at the end of the Senate proceedings in the RECORD of June 21, 1974.)

## 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. HANSEN (for himself, Mr. TOWER, Mr. McCLURE, and Mr. McCLELLAN):

S. 3694. A bill to amend section 310B(d) of the Consolidated Farm and Rural Development Act to prescribe procedural safeguards for the processing of applications for as-

sistance under such act. Referred to the Committee on Agriculture and Forestry.

By Mr. TOWER (for himself, Mr. HANSEN, Mr. MCCLURE, and Mr. MCCLELLAN):

S. 3695. A bill to prohibit the referral or submission of applications for Federal assistance to private persons, and for other purposes. Referred to the Committee on Government Operations.

S. 3696. A bill to amend the Urban Mass Transportation Act of 1964. Referred to the Committee on Banking, Housing, and Urban Affairs.

By Mr. TOWER:

S. 3697. A bill to amend title XVIII of the Social Security Act to provide payment under part A (the hospital insurance program) for care and treatment furnished at a central radiation therapy treatment facility, and to provide full payment under part 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. Referred to the Committee on Finance.

By Mr. PASTORE (for himself, Mr. AIKEN, Mr. JACKSON, Mr. BENNETT, Mr. SYMINGTON, Mr. DOMINICK, Mr. BIBLE, Mr. BAKER, and Mr. MONTOYA):

S. 3698. A bill to amend the Atomic Energy Act of 1954, as amended, to enable Congress to concur in or disapprove international agreements for cooperation in regard to certain nuclear technology. Referred to the Joint Committee on Atomic Energy.

By Mr. JAVITS:

S. 3699. A bill to amend the Federal Reserve Act to modify reserve requirements of member banks of the Federal Reserve System. Referred to the Committee on Banking, Housing, and Urban Affairs.

By Mr. MATHIAS (for himself and Mr. BEALL):

S. 3700. A bill to provide for the establishment of the Clara Barton House National Historic Site in the State of Maryland, and for other purposes. Referred to the Committee on Interior and Insular Affairs.

By Mr. MATHIAS (for himself, Mr. BEALL, and Mr. TUNNEY):

S. 3701. A bill to provide that income from entertainment activities held in conjunction with a public fair conducted by an organization described in section 501(c), (3) and (5) shall not be unrelated trade or business income and shall not affect the tax exemption of the organization. Referred to the Committee on Finance.

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## STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. HANSEN (for himself, Mr. TOWER, Mr. MCCLURE, and Mr. MCCLELLAN):

S. 3694. A bill to amend section 310B (d) of the Consolidated Farm and Rural Development Act to prescribe procedural safeguards for the processing of applications for assistance under such act. Referred to the Committee on Agriculture and Forestry.

### WHAT THE PUBLIC DOES NOT KNOW

Mr. HANSEN. Mr. President, I want to discuss today a situation of which some Senators may be unaware, and which certainly should be subject to public knowledge and scrutiny.

Under title I of the Rural Development Act passed by Congress in 1972, the Farmers Home Administration administers programs to make community facility loans, business and industrial loans, and grants to public bodies for development of private business enterprises. Since these programs were implemented, more than 600 applications have been cleared through the FHA Washington office. And information about each and every one of these applications has routinely and regularly been submitted to the AFL–CIO.

Why this labor organization and its affiliated unions, as well as a number of nonaffiliated unions, have anything to do with the processing of rural development applications, is a question worth pursuing.

This whole matter of union participation in the screening of rural development applications came to my attention when, at the request of a constituent, a member of my staff phoned the Labor Department to check on the status of a loan application for a small business in my State of Wyoming.

By way of explanation for those unfamiliar with the screening process for rural development applications, the Labor Department is charged by the Rural Development Act with administering a provision which prohibits "runaway shops." Hence a factory or business located in New York may not, with the aid of a rural development loan, relocate in Wyoming or Colorado, thus contributing to unemployment in New York or injecting improper competition in Wyoming or Colorado. It is because of this provision that the Labor Department has anything to do in the first place with rural development applications, which generally are the province of the Department of Agriculture and its agency, the Farmers Home Administration.

My staff member was informed by an employee of the Labor Department that the application in question had not been screened by all of the various sources asked to comment by the Labor Department. When asked what sources were involved, the Department official indicated that regional Labor Department offices, State employment offices, and the AFL–CIO were asked to comment on the applications.

I found this information shocking, and immediately wrote Secretary of Labor Peter Brennan requesting confirmation. Examination of the relevant portions of the Rural Development Act and the regulations to implement that act indicated that nowhere was the AFL–CIO, or any nongovernment source, given authority to participate in the governmental decisionmaking on eligibility of loan applications.

Forty-eight days after my written inquiry to the Secretary, I received from him a letter confirming that the AFL–CIO was solicitated for information about FHA loan applications. Said the Secretary:

> This check with the union is made by providing them each week with a listing of new loan applications received, the specific products involved, and the location of the establishment. No information is given to them on size of loan, volume of sales, or expected employment. In this weekly letter, the union is advised that they have two weeks in which to comment on any of the establishments on the listing, or we will assume their concurrence.

Since receiving that initial response from Secretary Brennan, I have corresponded and talked with numerous other officials and private citizens about this practice. I have found it is not limited to FHA loan applications, but extends, as well, to mass transit grant applications submitted to the Department of Transportation, and reviewed by the Labor Department with the help of appropriate unions. What I have learned about this practice, and about union involvement in decisionmaking assigned by statute to agencies of the Federal Government, has not diminished my feeling of shock and dismay. It has not dissuaded me from the belief that steps must be taken to facilitate public access in appropriate instances to information now given only to labor organizations, and to bar unions from access to information and participation in decisionmaking when it is appropriately reserved to Government agencies.

### MANY QUESTIONS, FEW ANSWERS

Secretary Brennan's reply to my initial inquiry on this matter, which I will include in its entirety at the end of my remarks, raised more questions than it provided answers. The Secretary had indicated the AFL–CIO's research department was utilized in the screening of the loan applications to save time and to obtain information needed to make "an informed judgment about the probable effects the granting of the loan will have on competitive businesses and on employment."

Why, I wondered, with a work force as of May 31 of this year of 18,839 employees, and a monthly payroll for May of $18,705,376, could not the Department of Labor carry out its responsibilities under the Rural Development Act without AFL–CIO assistance? Why was the Department relying on the AFL–CIO, as it did with regard to one FHA application, for information as to whether substandard wages would be paid to potential employees, when, within the Department there exists a Wage Hour Administration specifically equipped for such determinations?

If the Department lacked the resources to determine the eligibility of loan applicants, and required outside information as to the effects of the loans on competitive business and employment, why were only union organizations consulted? Why were not competitors, business and industrial organizations, and even the public, consulted? How, with only the name, product and location of applicants as provided weekly by the Labor Department, was the AFL–CIO able knowledgeably to assess the competitive and employment aspects of any pending applications? Where does the labor organization get the additional information it would have to have to assess the applications, and how does it get the informa-

tion? Does the Labor Department verify the accuracy of comments made by unions on pending applications, particularly in those cases where the applications are not approved?

Does the applicant know labor unions are asked to comment, and may be conducting investigations in the applicant's locality? Does the applicant have access to adverse comments submitted by unions, and does the applicant have the opportunity to rebut adverse comments? To what extent do adverse union comments on pending applications influence the final decision?

These and a myriad of other questions prompted me to again write Secretary Brennan. My letter of May 20, and the Secretary's June 10 reply, also will appear at the conclusion of my remarks. In my May 20 letter, and a followup letter of June 3, I asked the Secretary what other nongovernmental organizations in addition to the AFL–CIO were consulted on FHA applications. The Secretary did not respond to this question in his reply. I asked him how the AFL–CIO was able to submit comments as to competitive and employment aspects of FHA applications when provided only with the name, location, and product of the applicant. He did not respond to this question in his reply.

I asked him whether his Department had a similar procedure of consulting unions or outside organizations with respect to any other Government grant or loan programs. Again, he failed to respond to the question.

I asked him for copies of adverse comments submitted by unions on pending FHA applications; for statistics concerning numbers of loans commented upon and numbers of loans rejected. He did not respond to these requests.

And, I asked him for copies of lists of applications supplied weekly to the AFL–CIO. Again, his reply was not responsive, and he declined to provide to a Member of Congress information which regularly has been provided to a nongovernmental, potentially interested source.

Mr. President, so difficult has it been to get answers from the Department of Labor as to the mechanics and effects of this procedure that I have asked the General Accounting Office to assist me in getting answers to questions about the practice, and in determining larger issues such as the propriety and legality of the matter.

I am pleased that my colleague, Senator TOWER, is delving into the related area of labor union involvement in the processing of grant applications under the Urban Mass Transportation Act. The entire question of union participation, and the participation of other nongovernmental organizations, in decisionmaking assigned by law to Federal agencies, merits close scrutiny.

During a preliminary meeting with GAO officials, Mr. President, I was able to obtain from them some of the information I had requested, but had not received, from the Department of Labor.

I received through GAO 1 week's listing of FHA loan applications as submitted by the Labor Department to the AFL–CIO. This list indicates 36 applications pending before the Labor Department. Some 600 or more have been submitted by the FHA to the Department, and information on these, too, has routinely been submitted to the AFL–CIO. I ask unanimous consent, Mr. President, that the April 5, 1974, letter and list submitted to Mr. Markley Roberts, an economist for the AFL–CIO's research department, be printed in the RECORD.

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

APRIL 5, 1974.

Mr. MARKLEY ROBERTS,
*Economist, Research Department, AFL–CIO, Washington, D.C.*

DEAR MR. ROBERTS: We are enclosing, as promised, a list of pending applications for FHA loans and grants received by the Department of Labor during the past week.

We would appreciate receiving within two weeks any pertinent comments you may wish to make on the proposed projects. At the expiration of this period we will assume concurrence if no comments to the contrary have been received.

Sincerely,

ROBERT J. BROWN.

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APPLICATIONS FOR FHA LOANS AND GRANTS PENDING

Name of applicant, location, and proposed project:

Olds Ambulance Service, Bellaire, Mich., Ambulance service.

Chas. O. Grigsby, Jr., Pittsfield, Ill., Mfg. & marketing of specialty or foreign type cheese, etc.

George D. Smith, Montpelier, Vt., General construction work.

Pi-O-Near East, Inc., Chisago City, Minn., Motel & related services.

James P. Reynolds, Salisbury, Mo., Production & sale of ready-mix concrete, etc.

Processing Unlimited, Inc., Stillwell, Okla., Processing beef & pork.

Kern Mfg. Co., Inc:, Neoga, Ill., Mfg. girdles & bras.

Ramm Mfg Corp., Paris, Ill., Mfg. metal grain bins.

Ponderosa Furn. Mfg. Co., Houston, Miss., Mfg. living room furniture.

B&C Tool & Engineering Co., Downing, Mo., Mfg. small replacement parts, etc.

Glenn O. & Gernetta Willoughby, Arthur, Ill., Sales & service of John Deere farm equipment, etc.

Jed Prouty Tavern, Inc., Bucksport, Maine, Motel—rooms & meals.

Confinement Builders, Inc., Eldora, Iowa. Mfg. livestock confinement systems.

Braun Athletic Co., Parson, Kans., Mfg. football & baseball shoes, etc.

Fleet Tire Service, Inc., Sedalia, Mo., Retail tires and accessories, etc.

J. Richard Knipe, New Lexington, Ohio, Slaughtering and processing of meat for home freezer.

Flour Bag Fashions, Inc., Rio Grande, Puerto Rico, Make sports wear out of recycled flour bags.

Blue Ridge Shoe Co., Belhaven, N.C., Manufacturing shoes.

Daylight Plastics, Inc., Elberfield, Ind., Produce fishing tackle boxes, candle molds.

Donald J. Bezy, Sullivan, Ind., Purchase of John Deere farm implement dealership.

Little Michigan, Inc., Bay County, Mich., Amusement park and exhibition space.

Sieco, Incorporated, Columbus, Ind., Consulting engineer and architect.

Meadow Village, Hayden, Colo., Mobile home rental houses.

Frederick R. Gibler, Warrensburg, Mo., Sanitary landfill.

Multi-Cut Tool, Inc., Gaylord, Mich., Mfg. special circular cutting drills, etc.

Windsor Mfg. Co., Windsor, Mo., Mfg. aluminum storm windows, etc.

Guy Chevrolet Sales, Inc., Mechanicsville, Md., Auto dealership.

Petroff Packing Co., Benton, Ill., Meat processing and packing to wholesale trade.

Farm Ranch Center, Inc., Limon, Colo., Retail farm equipment and hardware.

Willie Lee Johnson, Mecklenburg County, N.C., Purchase of weekly newspaper.

Mahogany Co. of Mays Landing, Mays Landing, N.J., Warehousing fiberglass fabrics, etc., for sale to manufacturers.

Keith W. Bill Radtke, Shawano, Wis., Excavating business.

Travis Co. Farmers Co-op Association, Elgin, Texas, Cotton gin service.

Harms Construction Co., Pequot Lake, Minn., Expand construction company.

Wolverine Stages, Inc., Pellston, Mich., Hauls airfreight from airport and passenger bus service.

Chesapeake Sea Farms, Inc., St. Mary's County, Md., Operation of seed oyster hatchery.

Mr. HANSEN. Mr. President, also through the General Accounting Office, I obtained copies of adverse comments on several applications which were submitted to the Labor Department by the International Ladies' Garment Workers Union and the Amalgamated Clothing Workers of America. I do not know the outcome of the applications at issue in these letters. Again, this information has been requested of the Labor Department, but not received.

Mr. President, I ask unanimous consent that the letters expressing adverse findings, and a letter transmitting these findings to the Farmers Home Administration, be printed in the RECORD.

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

U.S. DEPARTMENT OF LABOR,
*Washington, D.C., April 8, 1974.*

Mr. J. R. HANSON,
*Acting Deputy Administrator, Program Operations, Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C.*

DEAR MR. HANSON: As you know, our procedures for the review of applications for rural industrial loans and grants referred by the Farmers Home Administration to the U.S. Employment Service for certification includes a review by the AFL–CIO. Enclosed are copies of four letters recently received from the International Ladies' Garment Workers' Union and the Amalgamated Clothing Workers of America raising objections to five of the pending applications:

1. City of Oakdale, Louisiana (Lady Wrangler, Inc.)—grant.

2. Wm. T. & Joan C. Riddle d/b/a Riddle Manufacturing—loan.

3. Town of Mars Hill, North Carolina (Shadowline, Inc.)—grant.

4. Town of Holly Pond, Alabama (Holly Manufacturing, Inc.)—grant.

5. Town of Snow Hill, North Carolina (Granet Glove Corp.)—grant.

In essence, the unions are alleging that the apparel industry is a declining industry and that governmental efforts are being made to reduce the flow of foreign imports. They therefore claim that any financial assistance under the Act which in any way provides assistance to any firm in the industry would result in providing that firm with an unfair competitive advantage and have a relocation effect within the meaning of paragraphs (1) and (2) of Section 310(d) of the Consolidated Farm and Rural Development Act of 1972. This, of course, raises a legal question and we are asking our Solicitor to provide us with a ruling. You may also wish to consult with your legal counsel on this question.

The ILGWU also raises a question of fact about the City of Oakdale, Louisiana (Lady Wrangler) application for which clarification is necessary. In the information provided by the applicant, it is indicated that the firm now has six plants in operation, one of which is located in Mississippi. There is no indication in the material you furnished us from the application that the company has closed down any facilities within the past 24 months. The ILGWU, citing the annual reports of Lady Wrangler's parent company, Blue Bell, Inc., alleges that Lady Wrangler had operated five plants in Mississippi in 1972 and that one of the plants was closed in 1973. Obviously, this is a matter for the applicant to resolve and we would appreciate your obtaining the necessary clairification.

We are asking our Solicitor to expedite the review of this question so that we will be able to act within the 60 day statutory requirement of the Act which expires in the case of the City of Oakdale application on April 27. We will advise you as soon as the Solicitor makes his ruling.

Sincerely,

ROBERT J. BROWN,
*Associate Manpower Administrator for U.S. Employment Service.*

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INTERNATIONAL LADIES' GARMENT WORKERS' UNION,
*March 29, 1974.*

Mr. ROBERT J. BROWN,
*Associate Manpower Administrator for U.S. Employment Service, Manpower Administration, U.S. Department of Labor, Washington, D.C.*

DEAR SIR: This is to object on behalf of the International Ladies' Garment Workers' Union to the FHA loans and grants to the above-mentioned company, in accordance with the provisions of Rural Development Act, Section 1932(d).

Shadowline, Inc., a producer of panties, slips, lingerie and sleepwear, is an affiliate of Blue Bell, Inc. I want to make reference to my communication of March 21, 1974 that dealt, among others, with the application of Lady Wrangler, Oakdale, Louisiana. The information supplied in this letter applies with equal strength to the application of Shadowline, Inc.

For reasons set forth in our letter of March 21, we urge the disapproval of the instant application by the Secretary of Labor.

Respectfully yours,

LAZARE TEPER,
*Director, Research Department.*

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AMALGAMATED CLOTHING WORKERS OF AMERICA,
*New York, March 28, 1974.*

Mr. ROBERT J. BROWN,
*Associate Manpower Administrator, U.S. Employment Service, Manpower Administration, U.S. Department of Labor, Washington, D.C.*

DEAR BOB: Since writing the attached letter and returning to my office to sign it, I received information that applications for a glove company, Granet Glove Corp., Snow Hill, N.C., and a pants company, Holly Manufacturing Co., Holly Pond, Ala., are also pending. Our position in respect to these companies would be the same as indicated in the earlier correspondence.

Sincerely yours,

HOWARD D. SAMUEL,
*Vice President.*

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INTERNATIONAL LADIES' GARMENT WORKERS' UNION,
*New York, N.Y., March 21, 1974.*

Mr. ROBERT J. BROWN,
*Associate Manpower Administrator for U.S. Employment Service, Manpower Administration, U.S. Department of Labor, Washington, D.C.*

DEAR SIR: This is to object on behalf of the International Ladies' Garment Workers' Union to the FHA loans and grants to the above mentioned companies, in accordance with the provisions of Rural Development Act, Section 1932.

Both Lady Wrangler, a subsidiary of Blue Bell, Inc., and Wm. T. & Joel C. Riddle are planning to produce apparel. Apparel employment, however, as shown by the data collected by the Bureau of Labor Statistics of the U.S. Department of Labor, is declining due to the insufficient demand for such goods. This can be seen from data on average employment of production workers in the apparel industry (Standard Industrial Classification 23):

| | |
|---|---|
| 1966 | 1,245,700 |
| 1967 | 1,237,200 |
| 1968 | 1,240,100 |
| 1969 | 1,238,100 |
| 1970 | 1,196,100 |
| 1971 | 1,168,300 |
| 1972 | 1,164,700 |
| 1973 | 1,164,000 |

Further softening of employment in the apparel industry is evident from the most recent data compiled by the Bureau of Labor Statistics shown below:

| Month and year | Production worker employment | Decline in employment from the same month a year back |
|---|---|---|
| July 1973 | 1,094,400 | −1,800 |
| August 1973 | 1,169,200 | −3,400 |
| September 1973 | 1,171,100 | −8,900 |
| October 1973 | 1,174,700 | −10,100 |
| November 1973 | 1,167,600 | −21,100 |
| December 1973 | 1,150,200 | −19,400 |
| January 1974 | 1,125,100 | −18,100 |
| February 1974 | 1,130,700 | −44,200 |

At all times, employment in the apparel industry is affected by seasonal and fashion vagaries that do not permit efficient utilization of capacity of existing competitive industrial enterprises, whether nationally or in any one area of the country (including those under consideration in the instant situations). In the most recent period competition of imports further eroded domestic production and led to long-term employment declines shown above, thus further undermining the possibility of efficient use of capacity of existing competitive industrial enterprises throughout all areas in the United States. This alone justifies the denial of the instant applications.

The present tightness in the available materials for garment manufacture also raises questions about the efficient use of existing capacity in the apparel industry. This was underlined by Rodger S. LeMatty, Vice Chairman of the Board, Blue Bell, Inc. (of which Lady Wrangler is a division), informing stockholders at the company's annual meeting held in Greensboro, N.C. on February 5, 1974 that "we do not feel that we have the inventory nor will be able to get sufficient piece goods" to maintain past rates of growth (Daily News Record, February 6, 1974).

Under conditions prevailing in the apparel industry, financial or other assistance by the federal authorities will unavoidably result in the transfer from one area to another of employment or business activity and will result in an increase in unemployment in the areas where the applicants conduct business operations. For example, Lady Wrangler, which operated 5 plants in the State of Mississippi in 1972, closed one of them in 1973 (as is evident from the annual reports of Blue Bell, Inc. to its stockholders). Wm. T. & Joan C. Riddle are planning to set up a plant to produce clothing for other companies, i.e., operate as a contractor for other firms in the apparel and clothing industry; their activity, therefore, cannot be viewed separately and distinctly from business activity and employment of firms for whom they would perform contract work—the integrated nature of operations in the apparel and clothing industry is well recognized by statutory law (cf. National Labor Relations Act, as amended, sec. 8(e); Legislative History of the Labor-Management Reporting and Disclosure Act of 1959, vol. 2, pp. 1680f., 1446; see also *Greenstein* v. *National Skirt & Sportswear Ass'n, Inc.*, 178 F. Supp. 681, 687–88 (S.D.N.Y. 1959), *appeal dismissed*, 274 F. 2d 430 (2 Cir. 1960)). The diversion of work from other firms by Wm. T. & Joan C. Riddle unavoidably will cause the transfer from one area to another of employment and business activity.

Approval of the particular requests, aside from the factors cited above justifying denial, will have a negative impact on activity in other areas of the United States. Any financial or other assistance by federal authorities to firms in the industry would give the recipients of such assistance a special cost advantage not possessed by others in the industry. In view of the narrow operating margins throughout the apparel industry, such aid unwittingly gives recipients an unfair advantage over others, will induce reduced operations elsewhere and increase unemployment in other areas throughout the country from which work is drawn. This fact has been recognized by the Congress when it passed Comprehensive Employment and Training Act of 1973 (Public Law 93–203), section 604(a), in which it specifically forbade use of funds (keeping the apparel industry in mind) "in the lower wage industries in jobs where prior skill or training is typically not a prerequisite to hiring and where labor turnover is high, or to assist in relocating establishments from one area to another".

The instant applications should be disapproved by the Secretary of Labor.

Respectfully yours,

LAZARE TEPER,
*Director, Research Department.*

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AMALGAMATED CLOTHING WORKERS OF AMERICA,
*New York, N.Y., March 26, 1974.*

Mr. ROBERT J. BROWN,
*Associate Manpower Administrator, U.S. Employment Service, Manpower Administration, U.S. Department of Labor, Washington, D.C.*

DEAR BOB: On my return from a recent vacation, Dr. Lazare Teper of the ILGWU contacted me in regard to the applications for loans and grants by Lady Wrangler and the Wm. & Joan C. Riddle Companies, and I would like through this letter to add the protest of the Amalgamated Clothing Workers of America to that of the ILGWU in this matter. Dr. Teper's letter is an excellent statement of the reasons why the applications should be turned down. Let me add the simple fact that elsewhere in the U.S. Department of Labor there are colleagues of yours who have been working for a number of years to bring about regulation and moderation of apparel imports, pursuant to government recognition that the apparel industry is in a state of decline. Government grants enabling companies to establish new plants will not bring about new job opportunities but will simply undermine existing job opportunities in established plants.

Very truly yours,

HOWARD D. SAMUEL,
*Vice President.*

## WHAT THE REGULATIONS SAY

Mr. HANSEN. Mr. President, the October 18, 1973, Federal Register contains the rules and regulations concerning implementation of the title I programs of the Rural Development Act.

Section 1842.14(c) defines the "runaway shop" aspect of the legislation as follows:

For any project that is calculated to or likely to result in the transfer of any employment or business activity from one area to another (loans may not be guaranteed). This limitation shall not prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the expansion will not result in an increase in the unemployment in the area of original location or in any other area where such entity conducts business operations, unless there is reason to believe that such expansion is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(d) For any project which is calculated to or likely to result in an increase in the production of goods, materials, or commodities, or the availability of services or facilities in the area, when there is not sufficient demand for such goods, materials, commodities, services or facilities, to employ the efficient capacity of existing competitive commercial or industrial enterprises, unless such financial or other assistance will not have an adverse effect upon existing competitive enterprises in the area (loans may not be guaranteed).

And, section 1842.17 says:

A contract of guarantee shall not be issued if the Secretary of Labor certifies within 60 days after the matter has been submitted to him by the Secretary of Agriculture that the provisions of 1842.14 (c) and (d) have not been complied with. Information for obtaining this certification will be submitted in writing to FHA. The information will be submitted to the Department of Labor by FHA. A conditional commitment for loan guarantee will not be issued until the Department of Labor certification is received.

I see nothing in this language, Mr. President, to authorize the Department of Labor to seek concurrence on loan applications from the AFL–CIO.

THE REACTION OF OTHERS

Mr. President, Mr. William Claiborne, a Washington Post staff writer, had printed in the Post, June 9, an article covering to some extent possible influence of labor unions on the Government's decisionmaking process. It is not necessary to have the article printed in its entirety at this point because Congressman LAMAR BAKER of Tennessee had the article printed in the RECORD June 17. It is on page 19539.

Mr. BAKER at that time said of the Labor Department practice of affording the AFL–CIO the power of "concurrence" on these applications that it is poor practice. He said that:

It is deplorable that departments of the Federal Government at times rely on private interests for input on their final administrative decision.

Mr. BAKER also said that:

These practices of the past should be eliminated and any future collusion should be prohibited.

Mr. Claiborne, in his article in the Post, quoted the comments of an official of the AFL–CIO headquarters in Washington, Mr. Mark Roberts of the federation's research department. Mr. Roberts was quoted, in reaction to my expression of shock that these applications are subjected to AFL–CIO scrutiny, as saying that the junior Senator from Wyoming "must be for secrecy."

This was an astounding observation, in my opinion. A major intent of my actions related to the Labor Department practice is to make it known to the people of the United States that there is such a practice.

There is every indication that the American people were not aware that this practice exists. Every person who has commented to me upon it—by letter, telephone, and in person, from various States—has expressed his shock and outrage that the U.S. Government that he helps pay for is allowing such a practice to continue.

Since this practice was discovered and made public this spring, many Americans have become aware of it. The Associated Press and the United Press International have carried reports in recent weeks on their wires throughout the Nation. I have received correspondence from a number of States, expressing the revulsion that the average American feels toward such a practice.

I want every American to know what is going on in Washington, D.C., at the seat of his Government. I want him to know if any special interest group is receiving special favors from Government. And I want every American to know that when he submits an application to the Farmers Home Administration for Government help, that the U.S. Department of Labor is going to advise the AFL–CIO of it.

The Secretary of Labor, Mr. Peter Brennan, has argued that the statute passed by Congress does not specify what sources of information the Labor Department may or may not use in passing judgment on loan requests. I strongly suggest that it was not the intent of Congress in passage of the Rural Development Act that the Labor Department seek the advice of the AFL–CIO as to whether loan applications made under the act should be approved.

Not only has this Labor Department practice been a shock to the public since it has been exposed, but it has been news to most of the Congress, in my opinion. It certainly was news to me—and unpleasant news.

The chairman of the House Agriculture Committee (Mr. POAGE) and the ranking Republican on that committee (Mr. WAMPLER) both have expressed their surprise and concern to learn of the Labor Department practice. The Agriculture Committee had jurisdiction over this legislation when it went through the Congress, so their surprise should show clearly that the Labor Department practice does not reflect the intent of the Congress.

The chairman of the House Agriculture Committee advised me that he was "appalled that the labor unions are screening these applications."

The ranking Republican member of that committee told me he "was not aware that rural industrial loan applications were subject to this screening by the AFL–CIO." He said he could not understand why this would be necessary, and that it appeared to him "there are sufficient Government agencies and data available to determine any information the Department of Labor might wish to have before granting a loan."

The Congressman from Georgia (Mr. MATHIS) also commented on the practice, calling it "a breach of ethics." He said the procedure "not only slaps the business community in the face but once again proves that Government agencies continue to act outside the statutory authority given to them by Congress."

Mr. President, the General Accounting Office reported to me on June 12 that the Labor Department has sought AFL–CIO "concurrence" on more than 600 of these FHA loan applications, and approximately 20 of these applications have been rejected following AFL–CIO comment on them. It is obvious this is a matter that affects every State in the Union, and every Member of the Senate, and their constituents should be apprised of it.

Mr. President, in order to expose this matter to public scrutiny; in order to provide a legislative remedy to what I feel is a violation of the intent of Congress; and in order to cast some light on the inner workings of Government, I introduce today two measures.

The first would be a bill to amend section 310B(d) of the Consolidated Farm and Rural Development Act to provide as follows:

No application or any part of any application for a grant or loan under this Act may be transmitted or made available or disclosed to any person (other than an individual who is an officer or employee of the United States) after its submission to the Secretary unless (1) in accordance with regulations prescribed by the Secretary, public comment is solicited with respect to that application or part thereof, or (2) the name of such person was furnished by the applicant as a reference or source of information concerning the applicant or the application.

The second measure I am today introducing would be an amendment to the proposed Consumer Protection Act, S. 707. It contains essentially the same language I just read; but while the first bill would pertain only to applications submitted under the Rural Development Act, this amendment would relate to any and all applications submitted to any Federal agency.

Under these proposals, Mr. President, Government agencies charged with processing applications for Federal assistance would be required either to make known to the general public information concerning such applications, or to protect from non-Federal scrutiny all information about applications. The Labor Department could no longer submit information about grant or loan applications to the AFL–CIO or other unions without simultaneously making the same information available to the public. The Department could no longer permit AFL–CIO "concurrence" on loan applications without permitting the public that same right of concurrence. And, if the Government determined that public comment on pending applications was not appropriate, then no one outside the Federal Government would have access to information about pending applications.

Mr. President, I ask unanimous consent that additional letters, documents, and newspaper articles relating to this issue be printed in the RECORD, together

with the texts of the measures I introduce today.

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

U.S. SENATE,
COMMITTEE ON FINANCE,
*Washington, D.C., June 20, 1974.*

Hon. FREDERICK DENT,
*Secretary of Commerce,*
*U.S. Department of Commerce,*
*Washington, D.C.*

DEAR MR. SECRETARY: Recently, I learned of a procedure followed by the Department of Labor whereby information on small business and industry loan applications submitted under the Rural Development Act to the Farmers Home Administration is weekly provided to the AFL–CIO. The AFL–CIO, in turn, gives the information on these applications to affiliated unions. The unions and the AFL–CIO are given two weeks to comment on the applications, and if nothing is heard, concurrence is assumed by the Labor Department. Frequently, adverse comments on these applications are received from the unions, and are considered by the Department in making a decision as to certification of the loans. These applications are screened by Labor because of a "runaway shop clause" included in the Rural Development Act.

For some time, I have been investigating the background and effects of this procedure. I have asked the General Accounting Office to investigate the propriety and legality of a government agency permitting a non-governmental, potentially interested party to participate in the decision-making which Congress specifically delegated to the Secretary. I am aware a similar procedure is used concerning grant applications to the Department of Transportation under the Urban Mass Transportation Act.

In a recent meeting with GAO officials, I was informed that the practice of consulting non-governmental sources, such as unions and industry associations, before certifying various types of grant and loan applications, is followed by the Commerce Department, and most often by the Economic Development Administration. I am told that Labor sometimes refers FHA applications under the Rural Development Act to EDA for market capacity studies, and that EDA in turn provides information on these applications to non-governmental sources.

With regard to this issue, I would appreciate your Department's assistance as follows:

1. Please confirm whether Commerce, or any agency or office of Commerce, provides information on applications submitted to federal agencies for grants and/or loans, to non-governmental sources prior to application certification or approval.

2. Please specify the type of grant or loan programs in connection with which non-governmental sources are allowed to comment, and please specify by name the non-governmental sources contacted.

3. Please provide a list describing each of the FHA applications handled by your Department; a list of non-governmental sources permitted to comment with regard to each; copies of any comments received in connection with any of these applications from non-governmental sources; and an indication of the disposition of each application (certified, not certified, etc.).

4. Please indicate whether, in instances where non-governmental sources submit comments concerning a grant or loan application, the applicant is provided with the comments made about the application.

Thank you for your assistance.

Kind regards,

Sincerely yours,

CLIFFORD P. HANSEN,
*U.S. Senator.*

U.S. SENATE,
COMMITTEE ON FINANCE,
*Washington, D.C., June 11, 1974.*

Hon. PETER BRENNAN,
*Secretary of Labor, U.S. Department of Labor,*
*Washington, D.C.*

DEAR MR. SECRETARY: Thank you for your June 10 reply to my inquiry of May 20. It is not possible for me to concur with your view that the Labor Department's procedures in implementing the Rural Development Act are "fully consistent with the legislation and a responsible public agency approach . . .", since your reply conspicuously excluded the very information I requested that might facilitate an informed judgment. In fact, information I have sought from others, including the Chairman of the House Agriculture Committee, would suggest that the Department's procedure may be at variance with the intent, if not the language, of the Act involved.

You express in your letter your belief that the Department should consult with any reliable source ". . . including other governmental agencies, labor union organizations and public interest groups." I can only repeat my request of May 20 that you specify what other non-governmental groups, in addition to the AFL–CIO, your Department contacts as sources of information in connection with RDA applications.

You indicate, as well, that "sources of information are just that—they, in no way, participate in the Department's decision-making process." No one would contend that the AFL–CIO solely, officially and formally decides on certification of these loan applications. At the same time, if the Federation's role in your procedure has so little effect or meaning as you imply, what possible reason is there for the Department's continued consultation with this non-governmental source, if not to utilize the feedback during the decision-making process? Further, it certainly might be argued that the process works in reverse of your description; i.e., the Labor Department is the source of information, and the AFL–CIO is the recipient.

As you know, in letters dated May 20 and June 3, I requested certain information about this issue, including a list of applications that have been referred to the AFL–CIO, and copies of the Federation's comments on these applications. Your Department has yet to forward information requested which routinely is provided to a non-governmental and potentially interested party. I would, therefore, take this opportunity to renew the requests outlined in my previous letters, and to ask that the information requested in those letters be provided at an early date.

Thank you,

Sincerely yours,

CLIFFORD P. HANSEN,
*U.S. Senator.*

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U.S. DEPARTMENT OF LABOR,
*Washington, D.C., June 10, 1974.*

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

DEAR SENATOR HANSEN: This is in further response to your letter of May 20, 1974, following up on our recent correspondence regarding the Rural Development Act. As Assistant Secretary Kolberg indicated in his recent letter to you, we are reviewing the points raised in your letter.

However, I want to reiterate the position outlined in my letter of May 16, regarding our contacts with labor union organizations in implementing our responsibilities under the law. We strongly believe that we are obligated to consult with any reliable source deemed appropriate in making these determinations, including other governmental agencies, labor union organizations and public interest groups. Further, sources of information are just that—they, in no way, participate in the Department's decision-making process.

We consider our procedures fully consistent with the legislation and a responsible public agency approach that recognizes the proper role of interested organizations while, at the same time, not abdicating our responsibility to make expeditious judgments on the rural development loan applications.

In closing, I find no basis for excluding interested organizations from providing information on the potential adverse effect of rural development loans as your concerns would appear to suggest.

Sincerely,

PETER BRENNAN,
*Secretary of Labor.*

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U.S. HOUSE OF REPRESENTATIVES,
COMMITTTEE ON AGRICULTURE,
*Washington, D.C., May 24, 1974.*

Senator CLIFFORD P. HANSEN,
*U.S. Senate,*
*Washington, D.C.*

DEAR SENATOR HANSEN: Thank you for your letter of May 20. I am appalled that the labor unions are screening these applications.

I have written to Secretary Brennan and asked for an explanation.

You were most thoughtful to bring this to my attention.

With every good wish, I am

Sincerely,

W. R. POAGE,
*Chairman.*

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HOUSE OF REPRESENTATIVES,
*Washington, D.C., June 10, 1974.*

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

DEAR CLIFF: Thank you for your recent letter regarding examination of FHA loan applications by the AFL–CIO.

I was not aware that rural industrial loan applications were subject to this screening by the AFL–CIO, and I cannot understand why this would be necessary. It would appear to me that there are sufficient government agencies and data available to determine any information the Department of Labor might wish to have before granting a loan.

I appreciate your giving me this information, and allowing me an opportunity to comment. You can be assured of my interest in this matter.

Sincerely,

WILLIAM C. WAMPLER,
*Member of Congress.*

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MAY 28, 1974.

Hon. ELMER B. STAATS,
*Comptroller General of the United States,*
*General Accounting Office,*
*Washington, D.C.*

DEAR MR. STAATS: It recently came to my attention that loan applications under Public Law 92–419 under the aegis of the Department of Agriculture are, in accordance with Section 110(a), delivered to the Department of Labor for certification. I was informed and upon inquiry, the Department of Labor confirmed, that these loan applications are automatically made known to the AFL–CIO and their comments solicited. I enclose a copy of a letter from the Secretary of Labor outlining the procedures.

That answer raises several questions of greater import which demand immediate investigation and response:

1. Without statutory or regulatory basis, loans under consideration are subjected to scrutiny by a private and interested group. As the letter indicates, of over 200 applications made, six (6) had "adverse comments" from the AFL–CIO. One of the six was later approved. The question immediately comes

to mind, was the subsequent approval the result of changed relationships between the borrowing applicant and the labor union involved? It is not enough to know that the loan was approved. Inquiry must also be made as to whether the union and applicant exchanged considerations prior to approval.

Does not the very process involve the government of the United States in weighting business-labor differences in favor of the labor unions? I do not understand the Act under which these loans are processed to have been a union assistance act against borrowers. Five of the six loans which had adverse comments and which were "still being investigated," as of May 16, 1974, had obviously not been certified. Were they still within the 60-day certification period envisioned by the Act?

Is a labor union the proper and apparently exclusive source of judgment on a question of excess production capacity?

2. The Department of Labor makes no reference to and apparently ignores soliciting any input from other sources on the first criterion in the Act, i.e., the effect of the loan on competitive business enterprises.

3. The potential for utilization by the union of its power of "concurrence" is too obvious to require comment.

4. Among the 200 cases on which the AFL–CIO made no adverse comment, were the applicants in any way pre-certified by the union? Has the procedure reached the point where an applicant for a government loan under this Act understands that he must first go to the union, or otherwise be wasting his time in applying to the government?

5. It appears to escape the notice of the Department of Labor that the use of a source for information in assisting its determination is a different thing from endowing that source with a "concurrence" right over the deliberative procedures of an agency of government. An investigation is certainly appropriate on the question of the abuse of an unregulated, non-statutory power so frankly admitted by a Cabinet-level Department of the government.

6. Assuming the intent of the Congress in this Act was to provide another tool for screening loan applicants, the Department of Labor makes no reference to the criteria used by the union to which it has granted loan concurrence powers. Are there such criteria in existence? Have they been studied and approved by anyone with the statutory loan concurrence power? It appears ironic that regulations issued by Departments of the government to implement statutory enactments have, until recently, been required to undergo public review while regulations not in existence are used to endow third parties with powers the government itself believes inappropriate to its own activities.

7. I raise as a final point the serious question of whether the government should be involved in a procedure which leaves a loan applicant(s) open to the potential of being a victim of those crimes outlined in Chapter 41 of Title 18 of the United States Code. It appears that the Department of Labor is, itself, violating Section 1905 of that same Title.

In view of all the questions above outlined and all of the problems raised by the Department of Labor letter of May 16, 1974, I call upon your office to initiate and carry through with expediency a thorough investigation of these procedures for certifying loans under Public Law 92–419. Certainly, I do not believe Congress could have intended the uses to which this Act is now being put. Material produced by an investigation by your office is essential in determining if corrective legislation is necessary to undo any misuse of government lending powers exposed by that investigation.

I would be grateful if you could indicate to me in the immediate future the length of time you expect will be needed for this investigation to be completed.

Thank you for your assistance.

Sincerely yours,

CLIFFORD P. HANSEN,
*U.S. Senate.*

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JUNE 3, 1974.

Hon. PETER BRENNAN,
*Secretary of Labor, U.S. Department of Labor, Washington, D.C.*

DEAR MR. SECRETARY: This is a follow-up to my letter to you dated May 20, in which I requested additional information about the participation of the AFL–CIO in the screening of loan applications submitted under the Rural Development Act.

I am enclosing a copy of an editorial from the Spokane, Washington, Spokesman-Review, in which it is noted that at least 500 of these FHA applications have been forwarded to the AFL–CIO; that adverse findings were returned by the union approximately 18 of these requests; and that three have been turned down. In your May 16 letter to me, you indicated about 200 applications had been submitted by FHA; that a half-dozen had been the subject of adverse union comment; and that while some were still under investigation, apparently none had yet been turned down.

In order to update my May 20 request for certain information, I would appreciate it if you could provide in addition to the material requested in that letter, copies of the adverse comments received on all FHA applicants for whom such comments were made; information on the reason for non-certification of any applications in this category; and information as to the status of any applications under investigation as a result of adverse union feed-back. Additionally, I would like to know if your agency's decision-making process with respect to any of the applications forwarded by FHA has to date required more than 60 days.

Thank you for your assistance.

Sincerely yours,

CLIFFORD P. HANSEN,
*U.S. Senator.*

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[From the Spokesman-Review, June 1, 1974]

UNWISE CONSULTATION ON LOANS

The Labor Department's acknowledgment that it routinely consults with the International AFL–CIO about rural industrial loan applications made to the government is a startling revelation.

It indicates a serious invasion of the applicant's privacy and gives the labor union unprecedented influence on government function, as noted by Sen. Clifford Hansen, R-Wyo., who discovered the procedure in the course of an inquiry on behalf of a constituent.

Since January, the names of some 500 applicant for Farmers Home Administration business loans have been forwarded on a weekly basis to the union federation's research division, a Labor Department official said, for the purpose of "obtaining information which may be relevant to our determination."

The union has returned adverse findings on approximately 18 loan requests, of which three have been turned down with others still pending, the spokesman said.

While denying that the AFL–CIO participates in the decision-making process, the Labor Department defends the practice as necessary because the union information is used in determining whether a loan approval would undermine business competition in a proposed plant location, or whether it would cause unemployment in a city from which an applicant plans to move a factory.

The department reports it sometimes consults also with state and federal employment agencies and some trade associations.

Regardless of objectives, the Labor Department has displayed a remarkable lack of judgment in soliciting the influence of a private and self-serving organization—whether labor oriented or business oriented—on a matter involving government decision-making.

Assistance from other governmental agencies in addition to the work of its own personnel should enable the Labor Department to carry out its responsibility without suggestion of undue influence.

Summary: Impartiality in fact and in appearance is needed in governmental decision-making.

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MAY 20, 1974.

Hon. PETER BRENNAN,
*Secretary of Labor, U.S. Department of Labor, Washington, D.C.*

DEAR MR. SECRETARY: Your May 16 reply to my inquiry about rural industrialization loans was appreciated. I am writing to request additional information concerning the participation of the AFL–CIO in the screening of these loan applications, as submitted under Public Law 92–119, the Rural Development Act.

You made reference in your reply to the AFL–CIO and "the other agencies we use as sources of information . . ." I would appreciate it if you could specify what other non-governmental agencies, in addition to the AFL–CIO, your Department contacts as sources of information in connection with these loan applications.

You cited in your reply the Department's obligation to assess the impact of loans on competitive businesses and on employment. You also indicated that no information as to size of loan, volume of sales or expected employment is supplied the AFL–CIO. Without this information, how is the AFL–CIO able to comment on the possible effect of applications on competitors and employment?

In order that I might better understand precisely what role the AFL–CIO plays in the screening process, I would appreciate it if you would send me a copy of a typical listing such as you indicate is supplied to the union weekly by your Department, and a copy of one or more of the adverse reports received from the AFL–CIO as cited in your letter to me.

I would like to know if the Department conducts a similar program of judging competitive and employment impact in connection with any other federal programs, such as the Small Business Administration loans, for example. Please indicate what the programs are, and what non-governmental sources are contacted for input. Also, please indicate whether the AFL–CIO is asked to comment on federal applications or programs other than those authorized under Section 118(a) of P.L. 92–419, and what these programs include.

Please define who is responsible for determinations as to sub-standard wage payment by employers applying under this Act. You indicate the AFL–CIO had suggested on at least one occasion that sub-standard wages might be involved; but that the Wage Hour Administration's investigation had determined there was no wage law violation. Is not the Wage Hour Administration able to identify sub-standard wage rates in connection with these applications without AFL–CIO initiation?

I look forward to your further reply.

Kind regards,

Sincerely yours,

CLIFFORD P. HANSEN,
*U.S. Senator.*

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U.S. DEPARTMENT OF LABOR,
*Washington, D.C., May 16, 1974.*

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

DEAR SENATOR HANSEN: I have checked in detail into the questions raised in your let-

ter of April 3, 1974, regarding union participation in the procedures we are using to implement the responsibilities assigned to the Department of Labor to review rural industrialization loan applications under the Consolidated Farm and Rural Development Act of 1972 (P.L. 92-419). The facts briefly are these:

Section 118(a) of this legislation requires the Department to determine whether loans being considered by the Department of Agriculture may have an adverse effect on competitive business enterprises in the area where the loan applicant proposes to locate or cause unemployment where the applicant presently conducts business. The latter determination is designed to forestall federal assistance to "runaway shops." The Act also instructs the Department to develop, in cooperation with the Department of Agriculture, a system of certification which will ensure the expeditious processing of requests for assistance under this section of the legislation. The conference report shows that Congress expected the Department of Labor to make such determinations within 30 days but imposed a statutory limit of 60 days from receipt of the request for certification.

The statute does not specify what sources of information we may or should use in making our determination. We believe we are required to use whatever sources of information will enable us to follow the statutory mandate of (1) processing the applications expeditiously, and (2) making an informed judgment about the probable effects the granting of the loan will have on competitive businesses and on employment.

Draft certification procedures under this legislation have been developed by our staff in cooperation with the Department of Agriculture, and are now being cleared by that Department. In the meantime, we are operating under interim procedures by which we consult State Employment Security and Federal agencies as well as the Research Department of the International AFL-CIO to obtain information which may be relevant to our determination.

The AFL-CIO and the other agencies we use as sources of information understand that they are not participants in the determination process. The facts we receive are given the weight we deem appropriate and such further investigation is made as the Department deems appropriate.

This check with the union is made by providing them each week with a listing of new loan applications received, the specific products involved, and the location of the establishment. No information is given to them on size of loan, volume of sales or expected employment. In this weekly letter, the union is advised that they have two weeks in which to comment on any of the establishments on the listing, or we will assume their concurrence.

Thus far, of the more than 200 cases we have received from the Farmers Home Administration of the Department of Agriculture, we have a total of about a half-dozen adverse comments from the AFL-CIO. One of these related to the possibility that an employer who requested an FHA rural development loan was paying substandard wages. We made a field check on this establishment through our Wage Hour Administration and determined that there was no violation of the law in this employer's wage practices. This loan certification was approved by us. The other five certifications relate to possible excess productive capacity in the textile and apparel industries. The facts on these specific situations are still being investigated, and a final determination of these has not yet been made. Incidentally, we did not receive any adverse comments on the establishment in Wyoming, whose inquiry prompted your letter.

We believe that the inclusion of this provision in the Act indicated Congress' intention that no Government loan should be made available to a firm merely to move jobs from one area to another, or to provide unfair competition to existing business establishments by the payment of substandard wages or other factors. In discharging the responsibilities assigned to us by the Congress with respect to this program, we believe that it is appropriate for us to call upon various organizations, including labor unions, who may have facts or information to offer with respect to possible adverse employment or competitive business impact.

We appreciate this opportunity to clarify an apparent misunderstanding relating to the procedures we have established for the implementation of this legislation.

Sincerely,

PETER J. BRENNAN,
*Secretary of Labor.*

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APRIL 3, 1974.

Hon. PETER J. BRENNAN,
*Secretary of Labor, U.S. Department of Labor, Washington, D.C.*

DEAR MR. SECRETARY: Yesterday afternoon, I received a routine inquiry from my state as to the status of an insured loan application a small Wyoming industry has submitted to the Farmers Home Administration under Section 118(a) of the Rural Development Act.

A member of Assistant Labor Secretary Kolberg's office advised that the AFL-CIO had not yet completed its "review" of the application. A member of my staff again telephoned Mr. Kolberg's office to verify the accuracy of that information.

It was explained that an agreement exists with the labor union involving submission of RDA industrial loan applications on a weekly basis for review; despite the fact that neither the Act nor regulations to implement it call for AFL-CIO review.

If the situation is such as has been outlined, I find this procedure intolerable and intend to bring it immediately to the attention of the President and the American public.

Nowhere in the regulations or the law have I found that the AFL-CIO is given authority to participate in the governmental decision-making on eligibility of loan applicants. This action, if as described, indicates scandalous invasion of the applicants' right to privacy, and gives the labor union unprecedented influence of government function.

A full and immediate explanation of this matter will be appreciated.

Sincerely yours,

CLIFFORD P. HANSEN,
*U.S. Senator.*

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S. 3694

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 310B(d) of the Consolidated Farm and Rural Development Act is amended by adding at the end thereof the following:

"(7) No application or any part of any application for a grant or loan under this Act may be transmitted or made available or disclosed to any person (other than an individual who is an officer or employee of the United States) after its submission to the Secretary unless (1) in accordance with regulations prescribed by the Secretary, public comment is solicited with respect to that application or part thereof, or (2) the name of such person was furnished by the applicant as a reference or source of information concerning the applicant or the application."

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AMENDMENT No. 1525

On page 75, between lines 21 and 22, insert the following section:

"SEC. 14. That, except as otherwise provided by law, no application or part of any application for Federal assistance under any Federal law may be transmitted or made available or disclosed to any person (other than an individual who is an officer or employee of the United States) after its submission to a Federal agency unless (1) the name of such person was furnished by the applicant as a reference or source of information concerning the applicant or the application, or (2) in accordance with regulations prescribed by the head of the agency, public comment is solicited with respect to that application or part thereof."

Redesignate the following sections of S. 707 accordingly.

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By Mr. TOWER (for himself, Mr. HANSEN, Mr. MCCLURE, and Mr. MCCLELLAN):

S. 3695. A bill to prohibit the referral or submission of applications for Federal assistance to private persons, and for other purposes. Referred to the Committee on Government Operations.

S. 3696. A bill to amend the Urban Mass Transportation Act of 1964. Referred to the Committee on Banking, Housing and Urban Affairs.

Mr. TOWER. Mr. President, I am extremely pleased to participate with Senator HANSEN in this important discussion. By sheer accident we have, I am afraid, uncovered a very serious abuse in Government power.

In attempting to serve our respective constituencies Senator HANSEN and I have uncovered a practice whereby the Department of Labor routinely solicits the views of big labor as to the merits, or lack thereof, of a Federal grant-in-aid application. This referral service has been initiated by the Department and not by the international unions involved.

Furthermore, Mr. President, the practice has been admitted to by Secretary Brennan. I ask unanimous consent to have printed in the RECORD a wire copy story in which the Secretary admits this to be the case.

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

MASS TRANSPORTATION

WASHINGTON.—The Labor Department said Tuesday that it systematically had labor unions review Federal mass transportation grant proposals to protect the interests of workers.

Sen. Clifford Hansen, R-Wyo., inquired at the Department at first about the practice of AFL-CIO reviews of rural development act loans and grants applications.

The department released the texts of an exchange of letters.

Secretary Peter Brennan said the Department routinely checked with unions and others to determine if loan and grant applications under the act might adversely affect the interests of working men.

Brennan said the unions were only invited to review and comment on proposals but that the details of the proposals were not disclosed. He said the reviews helped Labor Department experts reach decisions about approval of proposed rural industrialization plans but were not substitutes for the Department decision making process.

Hansen wrote again saying he wanted to know about the Department's handling of grant applications under the urban mass Transportation Act of 1964.

Brennan said the department uses similar procedures, submitting information about applications to unions to, in the words of the act, "protect the interests of employes affected by such assistance."

Mr. CURTIS. Mr. President, will the Senator from Texas yield briefly?

Mr. TOWER. I yield.

Mr. CURTIS. I want to commend the Senator from Texas and the Senator from Wyoming for bringing this matter to the attention of the Senate today.

I have checked into it a little myself. I know that what the Senators are presenting here is the truth; it is the shocking truth. We are a government that is constituted under law. The idea that Government responsibility should be transferred for private source is something that just cannot be passed over. It is a very serious situation.

We would not stand for it if the Secretary of the Treasury delegated his responsibility to certain businesses or if this would happen any place else. The idea that the Secretary of Labor routinely refers matters upon which he must make a decision to an outside organization is something that does not fit into the American scheme of things.

I thank the Senator, and I thank him for yielding.

Mr. TOWER. I thank the Senator from Nebraska for his remarks. I think it is time that we took cognizance of this situation.

It is clear from Secretary Brennan's frank admission that he believes this practice to be both legal and reasonable. I must beg to differ. I think that it may be illegal; that in fact it is clearly not consistent with congressional intent; and that it is entirely inconsistent with the ethical standards which any Government bureaucracy should and must follow.

Senator HANSEN's initial inquiry related to loans given to small businessmen by the Farmers Home Administration. The Department of Labor's role in this type of grant is supposedly to insure that the awarding of the grant doesn't assist a business in attempting to run away from a union.

In attempting to keep my constituents informed, I had inquired with the Department of Transportation concerning the awarding of capital grants to local communities so that they can acquire mass transportation systems. In nearly every case, the holdup on the grant was due to the Department of Labor which is statutorily charged with the responsibility of making sure that during the transition from private to public employment the working conditions and standards of the employees are not worsened. Mr. President, I ask unanimous consent that section 13(C) of the Urban Mass Transit Act which delegates this responsibility to the Secretary of Labor be printed in the RECORD.

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

INTERESTS OF EMPLOYEES; PROTECTIVE ARRANGEMENTS; TERMS AND CONDITIONS

(c) It shall be a condition of any assistance under this chapter that fair and equitable arrangements are made, as determined by the Secretary of Labor, to protect the interests of employees affected by such assistance. Such protective arrangements shall include, without being limited to, such provisions as may be necessary for (1) the preservation of rights, privileges, and benefits (including continuation of pension rights and benefits) under existing collective bargaining agreements or otherwise; (2) the continuation of collective bargaining rights; (3) the protection of individual employees against a worsening of their positions with respect to their employment; (4) assurances of employment to employees of acquired mass transportation systems and priority of reemployment of employees terminated or laid off; and (5) paid training or retraining programs. Such arrangements shall include provisions protecting individual employees against a worsening of their positions with respect to their employment which shall in no event provide benefits less than those established pursuant to section 5(2)(f) of this title. The contract for the granting of any such assistance shall specify the terms and conditions of the protective arrangements. Pub. L. 88-365, § 13, formerly § 10, July 9, 1964, 78 Stat. 307, renumbered and amended Pub. L. 89-652, § 2(a)(1), (b)(2), Sept. 8, 1966, 80 Stat. 715, 716; P.L. 90-19, § 20(a), May 25, 1967, 81 Stat. 25.

Mr. TOWER. Mr. President, I have no strong objections to the concept and objectives embodied in section 13(c), although the legislation I am introducing today does make some substantive changes in the section. However, I am extremely concerned and indeed shocked by the manner in which the Department of Labor has been fulfilling its statutory responsibility.

Senator HANSEN has likewise had occasion to make inquiries about grants under the Urban Mass Transit Act. He has been told by an official of the Department of Transportation that the AFL-CIO has a veto over these grants. All the evidence that I have accumulated forces me to conclude that this assertion is accurate.

So far as I know, there is no precedent for a Federal Government agency referring grant applications to a private organization on an unsolicited basis. If the Congress intended the AFL-CIO to be consulted then it should have statutorily provided for such an arrangement in these various statutes.

There are two independent principles which should be addressed in analyzing this situation. First, I strongly believe that this practice is unethical and perhaps illegal. We have heard and read about during the past year of undue influence being applied to various officials in the executive branch by corporate officials. Such conversations, meetings, and any agreements reached from these contacts have been cloaked in total secrecy. The practice we are discussing today is equally undemocratic, smacking of the same type of Government policymaking by secret action that we have been hearing about in recent months.

Second, Mr. President, I do not believe that the AFL-CIO has a monopoly over what is best for the American working man and woman. I know of no other private organization that is allowed to comment upon mass transit grant awards. Generally speaking, the objectives of an international union can be clearly distinguished from members of a local union as well as the leadership of that local. It is neither unusual nor necessarily improper for a national or international union to take a position substantively at odds with a local union in order to better advance the goals of the majority of the organization. However, this is not the type of case that merits this kind of intrusion. With respect to grants under the Urban Mass Transit Act, the needs of the local workers themselves should be the sole issue at hand. The executive officers of the International AFL-CIO should not have a direct role to play nor a direct line to the Department of Labor. Yet the evidence at my disposal leads me to believe this to be the case. As a matter of fact with respect to the Texas grant applications that I have followed, the interest of the local union and their members have taken a back seat to the wishes of big labor.

The Federal Government and the American consumer have a major interest in these kinds of grants. As I have stated, an adverse inference can be drawn that the AFL-CIO has virtual veto authority over the approval of these grants. Some grant applications have not been awarded because local public officials have been unwilling to have a one-way labor agreement shoved down their throats. In such cases, the public interest is dealt a major blow because of the severe need of these communities for mass transit systems.

In other cases, because of the dire need for capital funds, city officials throughout the country have agreed to the demands of the AFL-CIO. Big labor has demanded that these cities adopt the so-called Amtrak railroad agreement in Toto. I am told that 120 cities have adopted this agreement as a condition precedent to their obtaining federal funds so that they can acquire and improve their bus systems. I can see very little relationship between the running of a national railroad system by a public corporation and the operation of a local bus system.

The end result of this is that the Federal Government with taxpayer dollars is subsidizing a labor contract that was negotiated not within the laboratory conditions that we would like to see collective bargaining operate. Rather an unequal bargaining relationship clearly exists with the operation of the American railroad system, of all things, being the model for the operation of local transit systems.

Congress must take positive action to correct this situation. Grants now available under the Urban Mass Transit Act would be comparatively minor if we enact legislation calling for actual operating subsidies of local mass transit systems. Unless this unprecedented arrangement is eliminated, I would not be surprised if the AFL-CIO does not soon require firemen on each and every bus in those cities awarded Federal operating subsidies.

Mr. President, last Friday I wrote to the Comptroller General of the United States, asking him to undertake a thorough investigation of this practice. On May 28, Senator HANSEN requested that the GAO investigate this practice under Farmers Home Administration grants. Together, we believe that a "pattern or practice" exists and may indeed concern more Federal programs than just those that have been mentioned. I ask unanimous consent that the text of my

letter to the Comptroller General be printed in the RECORD.

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

U.S. SENATE,
*Washington, D.C., June 21, 1974.*

Hon. ELMER B. STAATS,
*Comptroller General of the United States, General Accounting Office, Washington, D.C.*

DEAR Mr. STAATS: The purpose of this letter is to request that you undertake an investigation of the administration of section 13(c) of the Urban Mass Transportation Act of 1964. This section provides that in order for an application for a capital grant under the Act to be considered for funding, clearance must be obtained from the Department of Labor that generally requires the prospective grantee to establish arrangements protecting the interests of employees of that public transportation system.

On its face, I have no objection to this concept. However, while the Federal government has a responsibility not to erode a collective bargaining relationship solely through the granting of federal funds for capital operation and acquisition of a public transportation system, it likewise has no responsibility to impose protective arrangements that would never be agreed to by local political subdivisions had not federal funds been available.

More specifically, I am very much concerned about the procedure used by the Department of Labor in negotiating arrangements under this section. My office's relationship with the Department of Labor has convinced me that the Department routinely and without any prior request received, solicits the views of the AFL–CIO. While I have no concrete evidence and would in any case be unable to obtain such evidence, I believe that an adverse inference can be drawn that the AFL–CIO has virtually a veto power over the Department's signing off as to the grantee's compliance with section 13(c). While the Department and, in fact, Secretary Brennan has denied this to be the case, the evidence I do have at my disposal as well as observing recent negotiations concerning grant applications in my state, lead me to believe that such an informal arrangement may be the case.

Consequently, unless and until the law is clarified, the only means to arrive at the truth is for the General Accounting Office to conduct a thorough investigation of this matter.

This whole situation is most disconcerting to me. It may indeed be both illegal and inconsistent with the intent of the Urban Mass Transit Act to provide funds for mass transit in the United States. The views of the employees directly affected and in some cases the local union are not being sought. The Act does not call for nor require the interests of the AFL–CIO to be protected.

Let me cite as an example the imposition of the so-called Amtrak labor agreement on approximately 120 cities throughout the United States. I am convinced by both personal observation of the situation and discussion that such agreements would not have been signed had it not been imposed upon them. It is ill-suited for mass transportation systems, and therefore inconsistent with the purpose of the federal legislation, as well as being often-times irrelevant to the needs of many employees of the systems being funded.

This example of government by secrecy and government referral to private organizations is outside the boundaries of the Federal law and responsible activity of the Federal government. A "pattern or practice" may be taking place in light of the recent discovery by Senator Hansen that a similar scheme is being utilized for grants under the Farmers Home Administration. In a letter to you on May 28, Senator Hansen requested you undertake an investigation of this practice.

I urge you to reply in a positive manner to both of these requests. Both Senator Hansen in myself have no feel as to how widespread this practice may indeed be. These investigations may lead to further evidence on this broad question.

The Congress deserves answers to these questions. As a matter of priority and direction, with respect to the Urban Mass Transit Act, your investigation should include the following:

1. An analysis of the procedure followed by the Department of Labor in fulfilling its responsibilities under section 13(c).

2. The extent to which the Department refers these applications to national or international organs of organized labor; the extent to which local union representatives and members participate.

3. Whether and to what extent the comments of such national or international organizations become a matter of the public record.

4. Are these unsolicited referrals made exclusively to these organizations and to what extent the views of the public are solicited or considered if received by the Department.

5. A compilation of comments received by the Department from such organizations and to what extent if any has the Department given clearance despite the opposition of such organizations.

6. Whether the labor agreements that have been signed are justifiable from the standpoint of the federal interest in encouraging mass transit systems and to what extent an unequal bargaining relationship has or does exist.

I appreciate your consideration of this request and look forward to working with you on this matter.

Sincerely yours,

JOHN TOWER.

Mr. TOWER. Mr. President, we are also introducing three bills today to eliminate this totally undemocratic private referral system. Those Senators and Congressmen that have pledged their support of the so-called sunshine legislation should feel very comfortable in supporting these bills.

The first bill would prohibit private referrals to any private organization of grants made by the Farmers Home Administration. If the Secretary of Labor feels that comments from private organizations would be of assistance to him then he would have to seek comments from the general public with the views received made part of the public record.

The second bill would amend the Urban Mass Transit Act in the same fashion. It would in no way compromise the Federal objective of insuring that employees' working conditions not be worsened. It would furthermore take into consideration State laws that limit formal collective bargaining in the public sector and make it clear that railroad contracts not serve as the model under the Urban Mass Transit Act.

Finally, the Federal Grant Disclosure Act of 1974 would prohibit this type of secret Government action throughout the entire Federal bureaucracy. We do not know how pervasive this practice is. Consequently, we have decided that a broad Federal statute is in order.

The confidentiality of Federal grants is being compromised. Nevertheless, anyone desiring a Federal grant should recognize that the basis for their application should be scrutinized by the public. If this scrutiny is deemed essential then the American people and its Representatives in Congress should participate .

As of now, only the AFL–CIO has an input and the Congress and the American people have been excluded.

It is not too late for us to act. The veto-proof Congress is not yet upon us. It may come as a surprise to some Members of Congress that the AFL–CIO has already implemented a version of the veto-proof Congress in the executive. This version may be far more dangerous than the veto-proof Congress which at least would be an elected body and open to some kind of public scrutiny.

Mr. President, I urge my colleagues to carefully review this most unhealthy situation. At this time I send to the desk two of those bills we are introducing today, and I ask unanimous consent that they be printed in the RECORD.

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

S. 3695

*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 "Federal Grant Disclosure Act of 1974."

Sec. 2. That, except as otherise provided by law, no application or part of any application for Federal assistance under any Federal law may be transmitted or made available or disclosed to any person (other than an individual who is an officer or employee of the United States) after its submission to a Federal agency unless (1) the name of such person was furnished by the applicant as a reference or source of information concerning the applicant or the application, or (2) in accordance with regulations prescribed by the head of the agency, public comment is solicited with respect to that application or part thereof.

S. 3696

*Be it enacted by the Senate and House of Representatievs of the United States of America in Congress assembled,* That section 13(c) of the Urban Mass Transportation Act of 1964 is amended—

(1) by striking out ", without being limited to," in the second sentence;

(2) by striking out clause (2) of the second sentence and inserting in lieu thereof "(2) the continuation of collective bargaining rights consistent with existing State laws relating to recognition of bargaining representatives on behalf of public employees;";

(3) by striking out the third sentence and inserting in lieu thereof the following: "Such arrangements shall include provisions protecting individual employees against a worsening of their positions with respect to their employment."; and

(4) by adding at the end thereof the following: "In making the determination referred to in the first sentence of this subsection, the Secretary of Labor shall not submit any proposal dealing with such protective arrangements to any private organization for comment. If it is determined that it would be in the best interest of effectuating the purpose of this section to solicit the comments of private organizations, the Secretary shall do so by giving notice in the Federal Register of a desire to receive such comments. All interested individuals and organizations shall have 30 days from the date of notice to inform the Secretary of their views on such protective arrangements and the comments shall be made part of the public records of the Secretary."

Mr. McCLURE. Mr. President, I wish to join in the comments that have been made by the distinguished Senator from

Wyoming (Mr. HANSEN) and the distinguished Senator from Texas (Mr. TOWER), as well as those that have been made by the Senator from Nebraska (Mr. CURTIS) in commending both the Senator from Wyoming and the Senator from Texas for their leadership in uncovering something that should have been a matter of public knowledge some time ago.

The Labor Department has been indulging in an interesting practice which I believe requires some scrutiny. The Department has taken upon itself to breech the confidentiality of loan and grant applications to the FHA by allowing them to be reviewed by labor unions. Now there is a very strong argument against confidentiality in such a situation. Many people think that the public should be fully aware not only of how its last year's tax money was spent, but of where next year's will go. I can fully respect an argument against the consideration of loan applications done in secret, but I cannot accept a change in the status of confidentiality without notifying the participants. In addition I see no reason why the labor unions alone should be the sole arbiters of competitive factors.

When the distinguished Senator from Wyoming requested information from Secretary Brennan of the Department of Labor on this issue and how the Labor Department felt about its capacity to review these applications, Secretary Brennan, in a reply dated May 16, 1974, remarked that the Rural Development Act was vague in stating what governmental or other agencies could be used to determine the major requirement set forth in the bill.

The Rural Development Act requires the Farmer's Home Administration to determine possible adverse effects that acceptance of the loan or grant could have on competition. While the Secretary said the intent of the bill was to obtain a full review and decision on the application within 30 days, the statute was set at 60 days. He added that vagueness of the bill in setting forth specific organizations of loan review justified the use of nongovernmental agencies but that the recommendation from those agencies has no direct effect upon the decisionmaking process. This fact brings up another problem. How much information is actually given to the agencies as an aid to coming up with a recommendation? If you accept the Labor Department's claim that only the name, location, and type of activity involved are supplied to the AFL–CIO, then the information is insufficient for an intelligent recommendation. Recently, the town of Mars Hill, N.C., requested a grant from the FHA for the purpose of constructing a water supply facility. It happened to be located near Shadowline, Inc., a producer of ladies' wear, but the investment was made to benefit not Shadowline, but the entire town of Mars Hill. When the Department of Labor received the application for the grant, it passed on the misconception that Shadowline, Inc. had applied. The result was adverse—the Ladies' Garment Workers' Union and the Amalgamated Clothing Workers of America stated that the apparel industry is a declining industry and that governmental efforts are being made to reduce the flow of foreign imports. They therefore claimed that any financial assistance to any firm in the clothing industry would result in unfair competitive advantage and runaway shops. Upon investigation by a member of my staff, the fact that Mars Hill had applied for the grant was revealed. Further, Mars Hill Mayor Bill Powell said he was very disturbed by the fact that the grant application had been given to nongovernmental agencies, and that he felt that this confidential request should be kept at State and Federal levels only. Mayor Powell had not been informed that his request would be under union review. This was a case where the union recommendation was based upon insufficient information. The possible consequences of this misrepresentation and the possibility of its reoccurrence are indeed disturbing. Mayor Mowab of Oakdale, La., called his Congressman to learn why his town's application was delayed. He learned that although this grant had been cleared by almost every source, the delay was coming from the Department of Labor which was waiting for union recommendation. When my staff spoke with him, he commented that it was bad news that their application had been referred to a union, and was disappointed at the delay.

In summary, it appears that the problem at hand is one of respecting the confidentiality of loan or grant applicants. The Department of Labor has not been cooperating with the requests of the Senator from Wyoming (Mr. HANSEN) for information and does not have a set operational procedure for these applications according to the General Accounting Office. The problem, in short, is in the bureaucracy involved in these applications and the time it takes for review of them. If confidentiality is to be broken, the applicants must be aware of it. It may be necessary, as the Department of Labor has proposed, to require each applicant for loan or grant to publish its intent in a local newspaper allowing anyone with an opinion to state it to the Department of Labor. The other alternative would be to respect the confidentiality of the applicant. I cannot help wondering where these activities end, as my experience has shown that practices of one agency often find their way into hearts of other agencies. I have been informed that the Department of Transportation has examples of similar wrongdoings. The current methods of the Department of Labor are presently an injustice to any applicants for FHA loans and grants, and I would urge my fellow Senators to recognize this problem, and work to eliminate it.

Mr. HANSEN. Mr. President, first of all, I commend the distinguished Senator from Nebraska (Mr. CURTIS), the distinguished Senator from Texas (Mr. TOWER), and the distinguished Senator from Idaho (Mr. MCCLURE) for their demonstrated interest in a problem that I think is more serious by far than many of us might believe. What we are talking about is the unilateral decision made by the Secretary of Labor to permit a nongovernmental entity in this country to pass on and to concur or to withhold concurrence on loan applications that I always believed extended only to the Farmers Home Administration.

The capital grants under the Urban Mass Transportation Act of 1964 also are an aspect of my concern about influence of the labor unions on Government decisions.

As a consequence of my inquiry into the Labor Department's handling of the rural development loan applications made through the Farmers Home Administration, and the accompanying publicity that the press has provided, I have received a number of complaints from private citizens and from employees of the U.S. Government who are concerned about influences of the labor unions on government decision.

One of these complaints was that labor unions have had, since passage of the Urban Mass Transportation Act of 1964, the privilege of "giving the nod" on capital grants applied for under the act. I was informed that despite previous complaints by several Members of Congress, and some exposure of the practice by the news media, the unions still enjoy this rather special privilege.

Unaware that my distinguished colleague from Texas (Mr. TOWER) had been looking into this matter for several months, I made inquiry to the Secretary of Labor, requesting certain information. The Secretary, in his response, chose not to answer my questions.

My source advised that organized labor has a veto over all capital grants, and that local governments understand that if the unions are not favorable toward a grant, the local government need not even apply.

It was only then that I discovered that the AFL–CIO was routinely having each and every one of these loan applications referred to it. Sometime later I found out about the experience of the distinguished Senator from Texas, and on our own volition we discovered that the same procedure was being followed by other agencies of the Government.

The Library of Congress was able to provide me information on an October 16, 1967, colloquy in the House of Representatives, in which Congressman HALL of Missouri, Congresswomen MAY of Washington, and Congressman PRICE of Texas, outlined the problem as it existed at that time.

I compliment the distinguished Senator from Texas for his diligence in finding out answers to a number of questions.

First, is there any legal instruction on behalf of the laws passed by the Congress that would account for this very unusual procedure being followed?

Second, have any other nongovernmental entities been involved?

We have asked more questions by far of the Secretary of Labor than we have gotten responses, and as I said, I am dismayed.

Mr. President, I am concerned that we get some answers to these qeustions.

As a consequence, we have had two or three informal discussions with the General Accounting Office, recognizing that operation as being the arm of the legislative branch of Government, to see if what has been done by the Depart-

ment of Labor conforms with Federal law.

We have not really gotten any definitive answers yet from the General Accounting Office. I am hopeful that as they understand better what our concerns are, as they are able to review precisely the questions we have asked of the Secretary of Labor, and as they explore the very pertinent, relevant questions that have been placed into the RECORD and into the mail by the distinguished Senator from Texas, we will be able to get definitive responses from the General Accounting Office that I think will serve all of America well.

I have talked to a number of Senators who have an interest in this subject, who have yet not gotten officially involved in it. I can assure you, Mr. President, that before too much more time goes on, there will be some other very distinguished Members of this body involved in the whole issue, trying to determine what role can be played by an executive branch of government that shows what I believe is a complete lack of interest in what the law says, in complete disregard for the instructions that the law contains, and certainly in areas which I think raise serious doubt as to the wisdom of the kind of procedures that we have evidence of that have been going on.

Mr. President, this whole issue has raised comments among the press that I think are important.

It was pointed out that the Springfield, Mo., Leader Press exposed in 1967 a situation in which the Amalgamated Transit Union prevented the city of Springfield from receiving a $294,333 Federal grant for air-conditioning the city bus service. The newspaper learned the application had been referred to the international offices of the ATU, and that a union representative subsequently arrived in Springfield with a proposed agreement between the union and the city requiring "continued collective bargaining" and "arbitration of disputes and other procedures long forbidden to municipal government agencies under Missouri law as interpreted by the Supreme Court."

According to the newspaper, the union apparently was given the power under a then-effective Labor Department interpretation of a section of the transit law which the Leader Press said "specifies that federally aided projects shall have no detrimental effect upon employees." I am inclined to agree with the newspaper that "it is hard to see how the air-conditioning of the municipally owned bus fleet could in any way harm or inconvenience city busdrivers."

Mrs. May noted that she had pointed out during the previous Congress a similar situation at Yakima, Wash. She said that Washington State law, as well as the charter under which the city of Yakima operates, made it illegal for city employees to have a union shop contract as outlined in section 13C of the Federal law. The Yakima problem also involved bus transportation, and eight drivers in this case. Mrs. May said the city was denied the Federal assistance needed to keep the buses in operation. She pointed out that section 13C "has worked in this instance to discriminate against American labor by denying these busdrivers better jobs, and in fact, forcing them to look for work elsewhere."

Congressman PRICE at the same discussion related how more than 18 months previous to the colloquy Amarillo, Tex., has applied for assistance for its bus system and was unable to comply with the Labor Secretary's interpretation of section 13C because Texas State law forbids municipal employees to enter into a union shop contract.

Perhaps some of these situations have changed since that colloquy. I am hopeful the present Secretary of Labor will be able to assure us that the situation has improved. Indications are that the situation has improved.

This month, the distinguished Senator from Nebraska (Mr. CURTIS) provided me a copy of a letter of June 12 he had received from the general manager of the Delaware River Port Authority. The letter indicated that union influence on Government decision during mid- and late-1960's has deprived the port authority of millions of dollars in Federal assistance.

Mr. Robert B. Johnston of Camden, N.J., stated that the Delaware River Port Authority applied in 1965 under the Urban Mass Transportation Act for a Federal grant of assistance estimated at approximately $26 million.

Mr. Johnston stated:

In the process of attempting to develop a formal final application, DRPA's legal counsel met with both UMTA staff and Labor Department staff in order to define the "labor protection" requirements (Section 13C) which would be imposed. At this juncture things bogged down very quickly. We learned that both the Railroad Brotherhood and Amalgamated Transit Union had registered objections to the project being constructed. Furthermore, the Department of Labor either was unwilling or unable to give any definitive guidance on the potential magnitude of "labor protection" which might be imposed.

Mr. Johnston further stated that the Port Authority's legal counsel were unable to assess the potential liability of "13C protection," but advised "it could conceivably be as high as $15 million or more." The counsel alleged that—

Furthermore, if the DRPA were to attempt to negotiate agreements aimed at winning ATU or "Brotherhood" support, it could lead to DRPA getting "locked into" inefficient labor practices and operating procedures which might cripple the system forever after.

Mr. President, I commend the distinguished senior Senator from Texas (Mr. TOWER) for his efforts to straighten this matter out for the benefit of the American people.

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By Mr. TOWER:

S. 3697. A bill to amend title XVIII of the Social Security Act to provide payment under part A—the hospital insurance program—for care and treatment furnished at a central radiation therapy facility, and to provide full payment under part 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. Referred to the Committee on Finance.

Mr. TOWER. Mr. President, I am today introducing a bill to amend the Social Security Act to provide the same benefits for treatment of cancer on an outpatient basis as are payable now for treatment of cancer when an individual is a hospital patient.

Current provisions of the Social Security Act authorize payment of 100 percent of reasonable charges for radiological and pathological services provided inpatients, but authorizes payment of only 80 percent of reasonable charges for exactly the same services rendered to outpatients with exactly the same disease.

Originally, higher benefits for radiation treatment of inpatients were justified because evaluation of treatment quality was available in accredited inpatient facilities but not available in outpatient facilities which were usually physicians' offices.

Over the last few years, however, the Federal Government has recognized the need to emphasize outpatient medical care to reduce costs for treatment of cancer, and has encouraged the development of several fully equipped and staffed community-level cancer treatment centers. These new radiation therapy treatment centers are better equipped, as a whole, than a large proportion of radiation therapy departments in hospitals, with the most sophisticated equipment and a staff of radiation oncologists certified by the American Board of Therapeutic Radiologists.

In light of this advancement, the present authorization for payment of 100 percent of reasonable charges for services provided inpatients and 80 percent for services to outpatients actually tends to encourage unnecessary hospitalization. Considering the fact that charges for inpatient care vary from $50 to $150 per day in different parts of the country, this provision represents a heavy and unnecessary expense to the social security system. Payment of equal benefits for the same treatment of outpatients obviously would minimize any tendency toward such unnecessary hospitalization, and would result in substantial savings to the social security system.

By way of example, at $50 per day bed charge, 4 weeks of hospitalization alone would add $1,400 to necessary technical charges for radiation and/or chemotherapy and physicians' fees. Naturally, as charges are higher and treatment periods longer, the savings would be even greater.

Aside from the substantially lower costs for treatment of cancer on an outpatient basis, recognized medical professionals have concluded that where hospitalization is unnecessary, it is psychologically and physiologically better for the patient to live at home or with friends and lead an active life, caring for his own needs.

Usually, more than 90 percent of patients needing radiation therapy for cancer do not need to be hospitalized and can, and should, receive their treatments as outpatients. The small percentage of patients actually needing to be hospitalized would, of course, be protected.

While this measure is primarily focused on radiation therapy, it also applies to some chemotherapy of cancer, as well

as consultation and followup care which can be provided on an outpatient basis, thus avoiding, to a maximum degree possible, the high cost of inpatient care.

Guidelines have now been developed for accreditation of freestanding therapeutic centers. Consequently, where a freestanding institution meets or exceeds the criteria and is providing high quality treatment of cancer, I feel its use should be encouraged.

I, therefore, urge my colleagues to support this legislation to provide reimbursement at 100 percent of reasonable charges for cancer treatment provided by these freestanding institutions.

Mr. President, I ask unanimous consent to have the text of this measure printed at this point in the RECORD.

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

S. 3697

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 226(c)(1) of the Social Security Act is amended by striking out "and post-hospital home health services" and inserting in lieu thereof "post-hospital home health services, and radiation therapy services".

SECTION 2. (a) Section 1811 of the Social Security Act is amended by inserting "and radiation therapy services" after "related post-hospital services".

(b) Section 1812(a) of such Act is amended—

(1) by striking out "and" at the end of paragraph (2);

(2) by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (3) the following new paragraph:

"(4) radiation therapy services for up to forty treatments after the beginning of one spell of illness and before the beginning of the next."

(c) Section 1812 of such Act is further amended by redesignating subsections (e) and (f) as subsections (f) and (g), respectively, and by inserting after subsection (d) the following new subsection:

"(e) Payment under this part may be made for radiation therapy services furnished an individual only for the first forty treatments after the beginning of one spell of illness and before the beginning of the next. The number of treatments to be charged for purposes of the limitation in the preceding sentence, in connection with items or services described in section 1861(aa), shall be determined in accordance with regulations."

(d) Section 1812(f) of such Act (as redesignated by subsection (c) of this section) is amended—

(1) by striking out "and (d)" and inserting in lieu thereof "(d), and (e)";

(2) by striking out "and post-hospital home health services" and inserting in lieu thereof "post-hospital health services, and radiation therapy services".

(e) Section 1814(a)(2) of such Act is amended—

(1) by striking out "or" at the end of subparagraph (D),

(2) by adding "or" after the semicolon at the end of subparagraph (E); and

(3) by adding at the end thereof the following new subparagraph:

"(F) in the case of radiation therapy services, such services are or were medically required,

(f) Section 1816(a) of such Act is amended by striking out "or home health agencies" in clause (1) of the second sentence and inserting in lieu thereof "home health agencies, or central radiation therapy treatment facilities".

SEC. 3. Clause (B) in section 1833(a)(1) of the Social Security Act is amended by striking out "furnished to an inpatient of a hospital by a physician in the field of radiology or pathology," and inserting in lieu thereof "furnished to an inpatient or outpatient of a hospital by a physician in the field of radiology or pathology or furnished to a patient of a central radiation therapy treatment facility by a physician on the staff of such facility,".

SEC. 4. (a) Section 1861(a) of the Social Security Act is amended—

(1) by striking out "or extended care services" in clause (A) of paragraph (1) and inserting in lieu thereof ", extended care services, or radiation therapy services"; and

(2) by inserting before the period at the end of paragraph (2) the following: ", and is not a recipient of radiation therapy services".

(b) Section 1861(s)(4) of such Act is amended by inserting after "therapy" the following: "(not constituting radiation therapy services under part A)".

(c) Section 1861(u) of such Act is amended by inserting after "home health agency," the following: "or central radiation therapy treatment facility,".

(d) Section 1861(w) of such Act is amended by striking out "or home health agency" and inserting in lieu thereof "home health agency, or central radiation therapy treatment facility".

(e) Section 1861 of such Act is further amended by adding at the end thereof the following new subsections:

"RADIATION THERAPY SERVICES

"(aa) The term 'radiation therapy services' means radiation (and minor surgery, chemotherapy, nuclear medicine, bed and board, and other services to the extent they are incidental to or required for such radiation therapy) furnished on an inpatient or outpatient basis by a central radiation treatment facility; excluding, however, any item or service if it would not be included under subsection (b) if furnished to an inpatient of a hospital.

"CENTRAL RADIATION THERAPY TREATMENT FACILITY

"(bb) The term 'central radiation therapy treatment facility' means an institution or other facility which—

"(1) is primarily engaged in providing, by or under the supervision of physicians, radiation therapy treatment or other therapeutic radiation services to persons in medical need thereof;

"(2) provides such services on a participating or affiliation basis to all or substantially all of the hospitals in the community, with staff privileges for all qualified physicians on the staffs of such hospitals; and

"(3) satisfies such requirements enumerated in paragraphs (2) through (9) of subsection (e), and such other requirements in the interest of health and safety of the individuals who are furnished services in the facility, as the Secretary finds to be necessary or appropriate."

SEC. 5. (a) Section 1863 of the Social Security Act is amended by striking "and (o)(5)" and inserting in lieu thereof "(o)(5), and (bb)(3)".

(b) The first sentence of section 1864(a) of such Act is amended by inserting after "home health agency," the following: "or whether a facility therein is a central radiation therapy treatment facility,".

SEC. 6. The amendments made by this Act shall apply with respect to items and services furnished on and after the date of the enactment of this Act.

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By Mr. PASTORE (for himself and Mr. AIKEN, Mr. JACKSON, Mr. BENNETT, Mr. SYMINGTON, Mr. DOMINICK, Mr. BIBLE, Mr. BAKER, and Mr. MONTOYA):

S. 3698. A bill to amend the Atomic Energy Act of 1954, as amended, to enable Congress to concur in or disapprove international agreements for cooperation in regard to certain nuclear technology. Referred to the Joint Committee on Atomic Energy.

Mr. PASTORE. Mr. President, a good deal of interest and concern continues to center on the announced intention by the President of the United States to enter into an agreement for cooperation with Egypt, and one with Israel, for the supply of a nuclear power reactor and nuclear fuel to each of these countries.

The subject of international cooperation for peaceful nuclear applications is not new. There have been many such agreements for cooperation in the past in furtherance of the Atoms for Peace program initiated by President Eisenhower 20 years ago.

At the close of my remarks, I will append a listing of all such agreements for cooperation involving peaceful nuclear objectives; and I ask, Mr. President, unanimous consent that that take place at that point.

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

(See exhibit 1.)

Mr. PASTORE. There are more than 30 of such agreements, 19 of which include nuclear power.

These agreements are expressly provided for in the Atomic Energy Act of 1954. Section 123 and related provisions of that act indicate the precise steps and conditions that must precede the consummation of all such agreements.

First, the Atomic Energy Commission must submit to the President a proposed agreement for cooperation, together with its recommendations. The submitted proposal must include: first, the terms, conditions, duration, nature and scope of the proposed cooperation, second, a guaranty by the other party that the security safeguards and standards provided for in the agreement will be maintained, and three, certain other guarantees by such party respecting the use of special materials and their unavailability to unauthorized persons.

Secondly, the President must approve the proposed agreement, following a written determination by him that its implementation would promote, and would not constitute an unreasonable risk to, the common defense and security.

Thirdly, the proposed agreement for cooperation, together with the President's approval and determination, must be submitted to the Joint Committee for a period of 30 days while Congress is in session.

These present conditions are applicable to proposed Agreements for Cooperation in peaceful nuclear fields. A separate subdivision of section 123 of the Atomic Energy Act—subdivision d.—spells out a separate and distinct requirement that must precede the execution of any proposed Agreement for Cooperation in the military area. In regard to such agreements, the first two steps mentioned above must be followed by a submittal for a 60-day period, instead of the 30-day period applicable to proposed agreements for peaceful nuclear appli-

cations. Additionally, subsection 123d. provides that:

Such proposed agreement for cooperation shall not become effective if during such sixty-day period the Congress passes a concurrent resolution stating in substance that it does not favor the proposed agreement for cooperation.

Mr. President, the international landscape these days is a rapidly moving, changeful panorama. Past and present systems, however satisfactory vis-a-vis contemporaneous situations and events, must be considered subject to recurring reexamination and possible revision in light of changing circumstances. And revisions, when advisable, should be carefully tailored to suit the desired purpose.

I have carefully reviewed the Atomic Energy Act in relation to its present requirements respecting the system for approving international agreements for cooperation for civilian nuclear applications, and I have become convinced that it should be revised. I am offering today, in cosponsorship with all the Senate members of the Joint Committee on Atomic Energy—Republicans and Democrats alike—a bill to amend the Atomic Energy Act that, in my judgment, is dictated by the changing posture of the world scene, and is carefully designed to serve a higher standard of attention and prudence without basic impairment of the statutory structure now governing international agreements in nuclear fields.

The amendment I propose would remove from the ambit of subsection 123c. of the Atomic Energy Act those proposed agreements of cooperation that would deal with nuclear reactors capable of producing more than 5 megawatts of heat or with fuel for such reactors, and include that category of peaceful nuclear applications in subsection 123d. which now governs proposed international agreements for military purposes. Additionally, my amendment would require that the Joint Committee on Atomic Energy submit a report to the Congress of its views and recommendations respecting each proposed agreement under subsection 123d together with a proposed concurrent resolution which would state in substance that the Congress either favors or does not favor the proposed agreement for cooperation. Thus, both Houses of the Congress would have an opportunity to express its favor or disfavor of any such proposed agreement within the 60-day statutory period for congressional consideration now applicable solely to military agreements. Adoption of a concurrent resolution stating in substance that Congress does not favor a proposed agreement would legally bar its execution. The wording of subsection 123d, together with the operative changes I propose—which are italicized—are as follows:

d. The proposed agreement for cooperation, together with the approval and determination of the President, if arranged pursuant to subsection 91c., 144b., or 144c., *or if entailing implementation of sections 53, 54, 103 or 104 in relation to a reactor that may be capable of producing more than 5 thermal megawatts or special nuclear material for use in connection therewith,* has been submitted to the Congress and referred to the Joint Committee and a period of sixty days has elapsed while Congress is in session (in computing such sixty days, there shall be excluded the days on which either House is not in session because of an adjournment of more than three days), but any such proposed agreement for cooperation shall not become effective if during such sixty-day period the Congress passes a concurrent resolution stating in substance that it does not favor the proposed agreement for cooperation: *Provided, however, that prior to the elapse of the first thirty days of any such sixty-day period the Joint Committee shall submit a report to the Congress of its views and recommendations respecting the proposed agreement and an accompanying proposed concurrent resolution stating in substance that the Congress favors, or does not favor, as the case may be, the proposed agreement for cooperation.*

In closing these remarks, I want to stress an important point. My amendment to transfer a major category of proposed agreements for cooperation to subsection d. of section 123 of the Atomic Energy Act does not betoken any advance opinion on my part regarding the wisdom or merits of any contemplated arrangement with Egypt or Israel. I have formed no opinion.

I have formed no opinion, and I think all of us would do well to wait until all the facts are in before we reach a decision.

I understand negotiations have not yet begun with either Egypt or Israel. When sufficient details of a contemplated accord are forthcoming—particularly those pertaining to the safeguards measures to be observed—my opinion juices will begin to flow and to influence my judgment.

The only purpose of my amendment is to afford Congress the opportunity, if and when proposed agreements for cooperation in certain potentially sensitive areas are submitted, to become a partner and be able to say yea or nay.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. PASTORE. Mr. President, I send to the desk for appropriate reference a bill to amend the Atomic Energy Act of 1954, as amended, to enable Congress to concur in or disapprove international agreements for cooperation in regard to certain nuclear technology, together with the memorandum on the number of agreements that are existing at the present time which I have asked to have printed in the RECORD at the conclusion of my remarks.

EXHIBIT 1

A. BILATERAL AGREEMENTS FOR COOPERATION IN THE CIVIL USES OF ATOMIC ENERGY

COUNTRY, SCOPE, EFFECTIVE DATE, AND TERMINATION DATE

Argentina: Research and Power; July 25, 1969; July 24, 1999.

Australia: Research and Power; May 28, 1957; May 27, 1997.

Austria: Research and Power; Jan. 24, 1970; Jan. 25, 2000.

Brazil: Research and Power; Sept. 20, 1972; Sept. 19, 2002.

Canada: Research and Power; July 21, 1955; July 13, 1980.

China, Republic of: Research and Power, June 22, 1972; June 21, 2002.

Colombia: Research; March 29, 1963; March 28, 1977.

Finland: Research and Power; July 7, 1970; July 6, 2000.

Greece: Research; Aug. 4, 1955; Aug. 3, 1974.

India: Power (Tarapur); Oct. 25, 1963; Oct. 24, 1993.

Indonesia: Research: Sept. 21, 1960; Sept. 20, 1980.

Iran: Research; April 27, 1959; April 26, 1979.

Ireland: Research; July 9, 1958; July 8, 1978.

Israel: Research; July 12, 1955; April 11, 1975.

Italy: Research and Power; April 15, 1958; April 14, 1978.

Japan: Research and Power; July 10, 1968; July 9, 2003.

Korea: Research and Power; March 19, 1973; March 18, 2003.

Norway: Research and Power; June 8, 1967; June 7, 1997.

Philippines: Research and Power; July 19, 1968; July 18, 1998.

Portugal: Research; July 19, 1969; July 18, 1979.

South Africa: Research and Power; Aug. 22, 1957; Aug. 21, 1977.

Spain: Research and Power; Feb. 12, 1958; Feb. 11, 1988.

Sweden: Research and Power; Sept. 15, 1966; Sept. 14, 1996.

Switzerland: Research and Power; Aug. 8, 1966; Aug. 7, 1996.

Thailand: Research; March 13, 1956; March 12, 1975.

Turkey: Research; June 10, 1955; June 9, 1981.

United Kingdom: Research; June 21, 1955; July 20, 1976.

United Kingdom: Power; July 15, 1966; July 14, 1976.

Venezuela: Research and Power; Feb. 9, 1960; Feb. 8, 1980.

Viet-Nam: Research; July 1, 1959; June 30, 1974.

Thirty agreements with 29 countries.

B. AGREEMENTS FOR COOPERATION WITH INTERNATIONAL ORGANIZATIONS

ORGANIZATION, SCOPE, EFFECTIVE DATE, AND TERMINATION DATE

European Atomic Energy Community (EURATOM): Joint Nuclear Power Program; Feb. 18, 1959; Dec. 31, 1985.

The countries of EURATOM include Belgium, Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands, Ireland, Denmark, and the United Kingdom.

Euratom: [1] Additional Agreement to Joint Nuclear Power Program; July 25, 1960; Dec. 31, 1995.

International [1] Atomic Energy Agency (IAEA); Supply of Materials, etc.; Aug. 7, 1959; Aug. 6, 1979.

S. 3698

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection 123d. of the Atomic Energy Act of 1954, as amended, is revised to read as follows:

d. The proposed agreement for cooperation, together with the approval and determination of the President, if arranged pursuant to subsection 91c., 144b., or 144c., or if entailing implementation of sections 53, 54, 103 or 104 in relation to a reactor that may be capable of producing more than 5 thermal megawatts or special nuclear material for use in connection therewith, has been submitted to the Congress and referred to the Joint Committee and a period of sixty days has elapsed while Congress is in session (in computing such sixty days, there shall be excluded the days on which either House is not in session because of an ad-

[1] The 1955 research agreement with Oenmark was allowed to expire on July 24, 1973, cooperation was folded in under the Additional Agreement.

journment of more than three days), but any such proposed agreement for cooperation shall not become effective if during such sixty-day period the Congress passes a concurrent resolution stating in substance that it does not favor the proposed agreement for cooperation: *Provided,* That prior to the elapse of the first thirty days of any such sixty-day period the Joint Committee shall submit a report to the Congress of its views and recommendations respecting the proposed agreement and an accompanying proposed concurrent resolution stating in substance that the Congress favors, or does not favor, as the case may be, the proposed agreement for cooperation.

SEC. 2. This Act shall apply to proposed agreements for cooperation and to proposed amendments to agreements for cooperation hereafter submitted to the Congress.

Mr. PASTORE. I now yield to the Senator from Vermont.

Mr. AIKEN. I joined with the Senator from Rhode Island and the other Senate members of the Joint Committee on Atomic Energy in cosponsoring this measure because I believe we have been taking some agreements relative to the development of nuclear power in other countries rather lightly in the past.

As the Senator from Rhode Island has stated, we have about 30 agreements, in all, with 29 different countries. About two-thirds of them deal with the construction of reactors; the other third deal with research, and some of these agreements which we have already reached with other countries run until the year 2002. We all know that the situation relative to the development—the use of the atom, we will call it—will change tremendously within the next 30 years. So I feel that we have been getting a little careless in this respect.

Taking 60 days to study a proposed agreement is not excessive. The law at present provides for 30 days. And we also have reached the point where we have to consider what other countries are doing. Right now, the present interest is created by a proposal to supply information and probably reactors to both Egypt and Israel. We do have an international agreement relative to the nonproliferation of nuclear weapons. It has been signed by Egypt, but not ratified as yet.

Mr. PASTORE. That is correct.

Mr. AIKEN. Neither has it been signed by Israel. I believe Israel has been doing business with France in regard to the supply of reactors. Israel is supposed to have started the production of plutonium about the year 1960 or 1961, and other countries are getting into this field at an extremely rapid rate. There are at present several hundred nuclear reactors being planned or under construction in countries all over the world. It is an entirely different situation than we had a few years ago. This bill which is sponsored by the Senator from Rhode Island and other members of the committee will not block progress in the development of generating power from the atom, but it will require close study of the proposals by the Members of Congress.

Mr. PASTORE. The Senator is absolutely correct. As he will recall, at the time of the Nonproliferation Treaty, we pledged ourselves—that is, the nuclear powers pledged themselves—that if other countries would restrain from getting into nuclear weaponry, we would furnish them technology and fuel for peaceful uses. So there is that commitment.

There is nothing in my amendment that hamstrings the administration. All it does is make Congress a partner in these agreements. It compels the Joint Committee to come back in 30 days and report whether or not it recommends or does not recommend the agreement, and within 60 days Congress can act. If Congress does not act in that 60 days, the agreement may be consummated, so that the administration will not be hamstrung, and someone could not filibuster the arrangement.

I thank the Senator for his contribution.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator yield?

Mr. PASTORE. I yield to the Senator from Virginia.

Mr. HARRY F. BYRD, JR. I am impressed with the colloquy that has taken place between the Senator from Vermont and the Senator from Rhode Island. As I understand the proposal of the Senator from Rhode Island—and I did not hear his entire discussion—it would seek to tighten up the procedures by which nuclear reactors and technology could be made available to other nations.

Mr. PASTORE. That is correct. And it will impress upon those who negotiate these agreements that they have to have rigid safeguards in order to make sure that we have a proper accounting for all the fuel that has either been sold or given, so that when the fuel is taken out to be recycled, it either goes to a second nation or a third nation, but it has to be accounted for so that there will not be an accumulation of plutonium to make a bomb. That is the purpose of all this.

We are moving extremely fast, in the development of these nuclear reactors. They are springing up all over the world. That is inevitable. As oil becomes in short supply, and now as gas becomes in short supply, we are going to turn to nuclear power.

The fact is that as we are turning to nuclear power—which we should not discourage in any country of the world—we have got to be sure that it does not serve as an excuse to build up atomic arsenals.

Mr. HARRY F. BYRD, JR. The Senator from Rhode Island is absolutely right. I think it is important that procedures be tightened up.

As one Member of the Senate, I am very much concerned as to the possibility of proliferation of these nuclear weapons. I was shaken up a bit by what India did in exploding a nuclear device just recently. So I think what the Senator from Rhode Island is doing can have very important beneficial effects for the entire world.

I am also impressed by his comment that it would be well to keep an open mind on the nuclear reactors for the Middle East. I plan to do just that. I must say that at the moment, however, I have some concern about making nuclear reactors of that magnitude available to that area of the world.

Mr. PASTORE. And the purpose of my amendment is to afford an opportunity for the Senator from Virginia to state his views on the Senate floor. Under the present law, that is almost impossible. That is the reason why we are suggesting the change.

Mr. HARRY F. BYRD, JR. I am delighted that the Senator is suggesting that change, and I thank him for the information he has presented today.

Mr. PASTORE. Mr. President, I ask unanimous consent to have printed in the RECORD at this point the pertinent part of article IV of the Nonproliferation Treaty, which has to do with the commitment on the part of the nuclear powers with reference to that treaty. I also ask unanimous consent to have printed in the RECORD the names of the members of the agency.

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

NONPROLIFERATION TREATY

ARTICLE IV

2. All the Parties to the Treaty undertake to facilitate, and have the right to participate in, the fullest possible exchange of equipment, materials and scientific and technological information for the peaceful uses of nuclear energy. Parties to the Treaty in a position to do so shall also cooperate in contributing alone or together with other States or international organizations to the further development of the applications of nuclear energy for peaceful purposes, especially in the territories of non-nuclear-weapon States Party to the Treaty with due consideration for the needs of the developing areas of the world.

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THE MEMBERS OF THE AGENCY

(List of 15 February 1971)

On 15 February 1971 the Members of the Agency were the 102 States listed below [1]. It is to be noted that Cambodia became the Khmer Republic on 9 October 1970 and that Nicaragua withdrew from the Agency on 14 December 1970.

Afghanistan, Albania, Alberia, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Bulgaria, Burma, Byelorussian Soviet Socialist Republic, Cameroon, Canada, Ceylon, Chile, China.

Colombia, Congo, Democratic Republic of the, Costa Rica, Cuba, Cyprus, Czechoslovak Socialist Republic, Denmark, Dominican Republic, Ecuador, El Salvador, Ethiopia, Finland, France, Gabon, Germany, Federal Republic of.

Ghana, Greece, Guatemala, Haiti, Holy See, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Ivory Coast, Jamaica, Japan, Jordan.

Kenya, Khmer Republic, Korea, Republic of, Kuwait, Lebanon, Liberia, Libyan Arab Republic, Liechtenstein, Luxembourg, Madagascar, Malaysia, Mali, Mexico, Monaco, Morocco, Netherlands, New Zealand, Niger, Nigeria.

Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Saudi Arabia, Senegal, Sierra Leone, Singapore, South Africa, Spain, Sudan, Sweden, Switzerland.

Syrian Arab Republic, Thailand, Tunisia, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Viet-Nam, Yugoslavia, Zambia.

Mr. MONTOYA. Mr. President, I rise in support of the views expressed by my distinguished colleague, the Vice Chair-

man of the Joint Committee on Atomic Energy.

The amendment we offer is appropriate to the changing times. It has been carefully drawn. It would transfer from subsection c. to subsection d. of section 123 of the Atomic Energy Act all proposed agreements for international cooperation involving a reactor capable of producing more than 5 megawatts of heat or special nuclear material for use in connection with such a reactor, thereby enabling the Congress, by concurrent resolution, to prevent the execution of any such agreement if that is the judgment of the Congress.

Subsection 123c would continue to be applicable to all other proposed agreements for cooperation involving peaceful nuclear applications—for example, agreements involving the exchange of research information, the distribution of radioisotopes, et cetera. All proposed agreements for cooperation that will remain subject to subsection c of section 123 must be submitted to the Joint Committee on Atomic Energy for a 30-day period before they can be effectuated. The Joint Committee issues public announcements of such submittals and usually conducts hearings as part of its review process.

As Senator PASTORE has indicated, the amendment we propose would require the Joint Committee on Atomic Energy to submit a report to the Congress of its views and recommendations concerning each proposed agreement submitted pursuant to subsection 123d, together with a proposed concurrent resolution stating in substance that the Congress either favors or does not favor the proposed agreement for cooperation. If Congress does not vote its disapproval within the statutory 60-day period, the proposed agreement could legally be effectuated.

I believe the amendment is advisable and practical. I urge the Senate to adopt it.

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By Mr. JAVITS:

S. 3698. A bill to amend the Federal Reserve Act to modify reserve requirements of member banks of the Federal Reserve System. Referred to the Committee on Banking, Housing and Urban Affairs.

Mr. JAVITS. Mr. President, the bill I am proposing would grant to the Federal Reserve Board flexibility to reduce reserve requirements against time and savings deposits of commercial banks that are members of the Federal Reserve System from the present 3 to 6 percent range to 1 percent if the Board so desires.

Under section 19 of the Federal Reserve Act, the Board is presently empowered to set reserve requirements for member banks within a prescribed range. For reserves against demand deposits, the Board's authority ranges from a minimum 7 percent to a maximum 22 percent; for reserves against time and savings deposits, the statutory range is from a minimum of 3 percent to a maximum of 10 percent.

Pursuant to its reserve setting authority, the Board currently imposes reserves against demand deposits, which range from 8 to 18 percent depending upon the size of the bank, and reserves against time and savings deposits which in general range from 3 to 5 percent—for reserves against consumer-type deposits—up to 8 percent—for reserves against large "CD's", Eurodollar, and similar deposits.

Banks which are not members of the Federal Reserve System are subject to reserve requirements under the laws of the various States, which in almost all cases are more liberal than Federal reserve requirements.

I am introducing this amendment to permit the Board to reduce requirements against time and savings deposits of commercial banks to a minimum 1-percent level for the basic reason that these types of reserve requirements are sometimes used by the Federal Reserve Board as one of several tools to control the growth of the money supply, which in turn affects the levels of income, interest rates and inflation in the economy. In addition to reserve requirements, the Board has other more effective tools of monetary policy available to it, including most importantly its role as lender to the banks—through the "discount window"—and its role as buyer and seller of Government securities in the open market.

But there is a basic distinction between reserves required against demand deposits and reserves required against time and savings deposits.

Required reserves against demand deposits may contribute significantly to monetary policy; but such requirements with respect to time and savings deposits do not serve any significant monetary purpose and do not serve their original intended purpose of a liquidity "reserve" against unanticipated deposit withdrawals, a purpose which is today served by Federal deposit insurance, credit facilities of the Federal Reserve Banks and supervisory liquidity standards.

The reduction in the minimum reserve requirement to 1 percent would reduce reserve requirements of all member banks by $5 billion. This would clearly make membership in the system more attractive and thus strengthen the Federal Reserve System in a manner wholly consistent with the right of the States to regulate their own banking structures.

This proposal parallels similar recommendations made by many others. The report of the President's Commission on Financial Reform—the "Hunt Commission"—recommended the elimination of all reserves against time and savings deposits, arguing that such reserves "do not intimately affect the efficiency of monetary policy instruments." The administration's 1973 legislative proposals to Congress recommend that the minimum reserve requirements for time and savings deposits be reduced from 3 to 1 percent.

Most recently, the Federal Reserve Board, in the course of proposing legislation that would impose Federal Reserve requirements on all nonmember depository institutions, also recommended reducing the minimum reserve against time and savings deposits of member banks from 3 to 1 percent. This recommendation is among those contained in S. 2898 introduced by Mr. SPARKMAN (for himself and Mr. TOWER), on January 28, 1974.

While S. 2898 provides for a broader package of reforms than the bill I am introducing, my amendment is especially important to New York, as it is a necessary component of reforms on the State level. My bill is an outgrowth of recommendations contained in the report of the New York State superintendent of banks' advisory committee on financial reform, March 1974. The report contains proposals for action at both the State and Federal levels which are designed to achieve major banking reform for the benefit of banking consumers and the public in New York State. Action at the Federal level to reduce statutory minimum reserve requirements, together with similar action at the State level, is a necessary element in the entire reform package.

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

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

S. 3699

A bill to amend the Federal Reserve Act to modify reserve requirements of member banks of the Federal Reserve System

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 19(b)(3) of the Federal Reserve Act is amended to read as follows:

"(3) In the case of any deposit other than a demand deposit, the minimum reserve ratio shall be not less than 1 per centum and not more than 10 per centum".

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By Mr. MATHIAS (for himself and Mr. BEALL):

S. 3700. A bill to provide for the establishment of the Clara Barton House National Historic Site in the State of Maryland, and for other purposes. Referred to the Committee on Interior and Insular Affairs.

PROTECTING CLARA BARTON'S HOUSE

Mr. MATHIAS. Mr. President, I introduce for myself and Senator BEALL a bill designed to preserve the historically important Clara Barton House. In light of Clara Barton's accomplishments, it is most fitting that this action be taken. The people of this country, indeed all peoples of the world, are indebted to her for her efforts on behalf of the American Red Cross. I look forward to the establishment of the Clara Barton House Historic Site as a great addition to the State of Maryland and to the Nation. I ask unanimous consent that the bill appear at this point in the RECORD.

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

S. 3700

A bill to provide for the establishment of the Clara Barton House National Historic Site In the State of Maryland, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That in order to preserve in public ownership the historically significant property associated with

the life of Clara Barton, for the benefit and inspiration of the people of the United States, the Secretary of the Interior (hereinafter referred to as the "Secretary") is authorized to acquire by donation, purchase with donated or appropriated funds, or exchange the land and interest in land, together with buildings and improvements thereon, located at 5801 Oxford Road, Glen Echo, Maryland, together with such other lands and interests in lands, including scenic easements, as the Secretary shall deem necessary for the administration of the area. The Secretary shall establish the Clara Barton House National Historic Site by publication of a notice to that effect in the Federal Register at such time as he deems sufficient lands and interests in lands have been acquired for administration in accordance with the purposes of this Act.

SEC. 2. Pending establishment and thereafter, the Secretary shall administer lands and interests in lands acquired for the Clara Barton House National Historic Site in accordance with the Act approved August 25, 1916 (39 Stat. 535; 16 U.S.C. 1, 2–4), as amended and supplemented, and the Act approved August 21, 1935 (49 Stat. 666; U.S.C. 461 et seq.), as amended.

SEC. 3. There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this Act.

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By Mr. MATHIAS (for himself, Mr. BEALL, and Mr. TUNNEY):

S. 3701. A bill to provide that income from entertainment activities held in conjunction with a public fair conducted by an organization described in section 501(c), (3) and (5) shall not be unrelated trade or business income and shall not affect the tax exemption of the organization. Referred to the Committee on Finance.

SAVING STATE AND COUNTY FAIRS

Mr. MATHIAS. Mr. President, on behalf of Senators BEALL, and TUNNEY, I am today introducing a bill to continue the Federal income tax policies which have traditionally applied to State and local fairs. I am also introducing this bill as an amendment to the pending legislation, which concerns the debt ceiling limit.

The purpose of this bill is to insure the continued financial viability of these fairs—which are so much a part of our history and culture, and which are today threatened by a cloud raised by the Internal Revenue Service. The IRS has, on its own volition, recently changed its traditional policy that income from entertainment activities during a State fair are within the ambit of the tax exemption which has been accorded these fairs under the Internal Revenue Code. The bill which I send to the desk would provide that income from such entertainment activities would continue to be tax exempt.

This bill is designed to be narrow in scope. Its purpose is to cover activities that are an integral part of the fair. It would not extend to activities that do not occur during the fair. Our goal is to insure that these fairs, which are attended by many millions of Americans, are not taxed out of operation.

State and county fairs in almost every State in our country will be protected by this legislation.

I ask unanimous consent that there be printed in the RECORD at this point a copy of the bill which we are introducing today, a brief summary of the current problem, and the prepared testimony of Jacques T. Schlenger, Esq., of Maryland, before the House Committee on Ways and Means in support of similar legislation introduced in that chamber, and a listing of some of the largest fairs in the United States.

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

S. 3701

A bill to provide that income from entertainment activities held in conjunction with a public fair conducted by an organization described in section 501(c), (3) and (5) shall not be unrelated trade or business income and shall not affect the tax exemption of the organization

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 513 of the Internal Revenue Code of 1954 (relating to the definition of an unrelated trade or business) is amended by adding the following subsection 513(d):

"(d) SPECIAL RULE FOR FAIRS AND EXPOSITIONS.—The term 'unrelated trade or business' shall not include the operation of a public entertainment activity in conjunction with a National, State, local, regional, or international fair or exposition conducted by an organization described in section 501(c), (3) and (5); nor shall the operation of any such public entertainment activity prevent, or cause the denial of, the exemption of such organization otherwise exempt under section 501(c), (3) and (5)."

SEC. 2. The amendment made by the first section of this Act shall apply with respect to taxable years beginning after December 31, 1959.

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FACT SHEET ON TAXATION OF MARYLAND STATE FAIRS AND OTHER STATE FAIRS

I. Brief Statements of Legislative History of the Unrelated Trade or Business Tax as Applied to State and County Fairs and Expositions:

State Fairs and other agricultural and charitable organizations have been exempt from taxation since the inception of the Federal income tax in 1913. Entertainment income integrally related to the operations of such organizations has also historically been exempt.

II. Facts about Maryland State Fair:

The Maryland State Fair has been conducted for over 80 years in substantially the same manner. Benefits to agricultural and related fields in the State of Maryland have been significant. The State of Maryland itself subsidizes the Fair, and the horse racing activities and income therefrom are authorized by State statutes and regulated by State agencies.

III. Facts Relating to Other Fairs and Expositions:

Over 300 state and county fairs are conducted in at least 46 states. Almost all have some form of entertainment revenue.

IV. Current Internal Revenue Service Position:

The Internal Revenue Service, despite losing in Court in its case against Maryland State Fair, is actively attempting to tax entertainment income integrally related to fairs.

V. Effect of Successful Maintaining of Internal Revenue Service Position Without Remedial Legislation:

If the IRS is successful in its attempts to tax entertainment revenue of fairs, especially without permitting an offsetting deduction for other aspects of fair operations conducted at a loss, the effect will certainly be to eliminate the existence of fairs in their present form.

VI. Solution:

Specific legislation is required to state that such income shall not be subject to taxation and shall not affect the exempt status of fairs.

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STATEMENT BY JACQUES T. SCHLENGER, ESQ., ON BEHALF OF MARYLAND STATE FAIR AND AGRICULTURAL SOCIETY, INC., IN SUPPORT OF PROPOSED ADDITION OF SECTION 513(d) TO INTERNAL REVENUE CODE OF 1954, AS AMENDED

PROPOSED SECTION 513(d)

"(d) SPECIAL RULE FOR FAIRS AND EXPOSITIONS.—The term 'unrelated trade or business' shall not include the operation of a public entretainment activity in conjunction with a national, state, local, regional or international fair or exposition conducted by an organization described in Section 501(c)(3) or (5); nor shall the operation of any such public entertainment activity prevent, or cause the denial of, the exemption of such organization otherwise exempt under either Section 501(c)(3) or 501(c)(5)."

I. Brief Statement of Legislative History of the Unrelated Trade or Business Tax as Applied to State and County Fairs and Expositions:

Section 501(c)(3) grants income tax exemption to, among others, corporations organized and operated exclusively for charitable, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 501(c)(5) grants income tax exemption to labor, agricultural or horticultural organizations.

The Revenue Act of 1913 provided for the exemption from taxation of labor, agricultural and horticultural organizations. Also made exempt were charitable and educational organizations, although their exemption, as distinguished from agricultural, etc., organizations, was conditional on the filing with the Collector of Internal Revenue of an affidavit setting out the character and purposes of the organization, showing that no part of income inured to the benefit of any private stockholder or individual and that such income was used exclusively for the promotion of the purposes for which it was organized. See Section 11G(a)[2][a] and [f], and Regulations No. 33, Articles 67 and 68, issued in 1918 under the Revenue Act of 1916.

Regulations 45, Article 512, issued in 1921 under the Revenue Act of 1918, provided as follows:

"Agricultural and horticultural organizations.—Agricultural or horticultural organizations exempt from tax do not include corporations engaged in growing agricultural or horticultural products or raising live stock or similar products for profit, but include only those organizations which, having no net income inuring to the benefit of their members, are educational or instructive in character and have for their purpose the betterment of the conditions of those engaged in these pursuits, the improvement of the grade of their products, and the encouragement and promotion of these industries to a higher degree of efficiency. Included in this class as exempt are organizations such as county fairs and like associations of a quasi-public character, which through a system of awards, prizes, or premiums are designed to encourage the production of better live stock, better agricultural and horticultural products, and whose income, derived from gate receipts, entry fees, donations, etc., is used exclusively to meet the necessary expenses of upkeep and operation. Societies or

associations which have for their purpose the holding of annual or periodical race meets, from which profits inure or may inure to the benefit of the members or stockholders, do not come within the terms of this exemption. A corporation engaged in the business of raising stock or poultry, or growing grain, fruits, or other products of this character, as a means of livelihood and for the purpose of gain, is an agricultural or horticultural society only in the sense that its name indicates the kind of business in which it is engaged, and it is not exempt from tax."

These regulations were continued in substantially identical form until 1958, when the Internal Revenue Service adopted regulations under the corresponding provision of the 1954 Code, which regulations were substantially abbreviated and eliminated all references to racing.

An unrelated business income tax on exempt organizations was first proposed by the Treasury Department in 1942, and was again recommended in 1950, when legislation was passed.

Section 511(a) imposes a tax on the "unrelated business income" of most exempt organizations, including those described in Sections 501(c)(3) and (5).

The Legislation was intended to apply to income derived from a trade or business "regularly carried on" by a tax exempt organization if the business is not "substantially related" to the performance of the functions upon which the organization's exemption is based. See H.R. 2319, 81st Cong., 2d Sess., 1950–2 Cum. Bull. 380, 409 and S. Rep. No. 2375, 81st Cong., 2d Sess., 1950–2 Cum. Bull. 483, 505.

II. Facts about Maryland State Fair:

The Maryland State Fair (sometimes also referred to as Timonium) has been conducted in Baltimore County at the same location (Timonium) in substantially the same manner in every year since 1878, except for the years 1941 through 1945, when the fair grounds were turned over to the United States Army. The Fair is held for ten or eleven days each summer. A Catalogue and Daily Program is published for each fair, which contains over 200 pages listing the events and participants. The Maryland State Fair also publishes annually over 10,000 copies of a 200-page "premium list", describing the contests, judging criteria, and prizes to be offered that year, which is distributed throughout the State of Maryland and to other states.

A typical fair day, whether taken from the year 1878 or 1968, would include 4–H and FFA dairy and livestock exhibits; 4–H dairy cattle judging contest; exhibits of baked and canned foods, jellies, candies, clothing, needlework, quilts, rugs, tablecloths, arts and crafts, flowers and arrangements; exhibits by the Farm Bureau, State Grange, the University of Maryland Extension Service, State Department of Forests and Parks, and others; demonstrations of meat cutting and cookery, hand weaving, lace making, pottery and other crafts, etc. Over $100,000 of premiums and awards are given each year for the various displays and exhibits, to stimulate interest in, and improve the products of, agricultural activity in the area. The fair also has various grandstand shows, a midway with rides, and horse racing on a half mile track. Each of these activities has been conducted since the inception of the fair in 1878.

On each day of the fair, the number of people attending the fair far exceeds the number of people attending the races. A substantial number of the patrons who attend the racing also attend the fair, and in fact, all of the persons attending the racing events must purchase a ticket to the fair.

In addition to the activities carried on during the fair itself, the fair's facilities are made available for a wide variety of activities throughout the year, including the meetings of the Association of Maryland Horse Shows, the Maryland-Delaware Brown Swiss Sale, meetings of the State Fair Board, Maryland Conservation Council, Maryland Agricultural Extension Service, Maryland Swine Producers, the McDonogh School Fair, Maryland Horse and Pony Measuring Show, 4-H meetings and fair, Girl and Boy Scout meetings, etc.

The Maryland State Fair receives an appropriation of State funds, which has been approximating $100,000 for the past several years. This grant has been necessary for the fair to maintain and improve its facilities and to continue to conduct the fair in the manner in which it has been conducted since 1878.

The operations of the State Fair are governed by a Board of 31 Directors, almost all of whom are farmers or engage in related businesses. For example, of the 31 members of the Board during 1966, no less than 20 (including former Senator Brewster) owned and operated farms in the State of Maryland. The Board includes the Dean of the School of Agriculture of the University of Maryland, the Master of the State Grange, the President and Vice President of the Esskay Meat Company (a large beef consumer), several horse breeders, nurserymen, and representatives from the legal, medical, banking, journalism and political fields.

The conduct of thoroughbred horse racing at the fair serves two purposes: as an attraction to encourage greater attendance at the State Fair, and as a part of the Maryland horse breeding industry. The integral role played by the racing has been described by many leading authorities, an example being the statement made by Dr. Gordon M. Cairns, Dean of the School of Agriculture of the University of Maryland, testifying at a trial involving a local real property tax assessment on the track area, which was held to be improper by the highest court of the State of Maryland because the racing area was found to be an integral part of the fair:

"Any fair exists primarily for an educational function and purpose. This is to acquaint the people of the area through demonstrations, through exhibits, displays and the like. Secondly, the competitions that are held there are the basis for the development of the various aspects of our livestock and agricultural industry.

* * * * *

"Basically all fairs are created with the objective—with two objectives. The one is education and the other is how to get the people there to show them what is educational and they have to have the traditional, shall we say, entertainment features associated therewith to help draw the crowds to those attractions.

* * * * *

"In fact, you take Illinois, Indiana, Ohio, New York, all of those would have trotting races there rather than running races, but the amusement feature is there in the same pattern."

A specific reason for the imposition of the unrelated business income tax was to prevent unfair competition by exempt organizations with profit-making organizations. But the operation of the race track during the fair by the Maryland State Fair does not compete with any tracks. In fact, the half mile track used by the Maryland State Fair is necessary to supplement the three major mile tracks in Maryland because few breeders can compete solely at the mile tracks.

Horse racing at county fairs in Maryland is under the supervision of the Maryland Racing Commission. In contrast with commercial racing at the mile tracks, the Commission has long recognized that the racing conducted at Timonium is an integral part of the fair itself; since the Racing Commission's inception in 1920, Timonium's racing license has by State Statute been conditional upon the maintenance of a bona fide fair, featuring agricultural exhibits and competition. See Art. 78B, § 15(a), Annotated Code of Maryland (Repl. Vol. 1965). Thus, the Commission's 1921 report notes that:

"Twelve County Fairs [including Timonium] were granted licenses . . . *the main purpose of which was*, in the judgment of the Commission, *the encouragement of agriculture . . .*". (Emphasis added.)

Again, in 1924, the Racing Commission reported that:

"The County Fairs, which have become a valuable asset to the State, enjoyed a successful season, and each year *are doing more and more to benefit and promote* the agriculture and *breeding industries of the State. Racing constitutes an important event at each of the fairs,* and the Commission is constantly seeking to improve the conditions under which it is conducted." (Emphasis added.)

The 1939 report of the Racing Commission sums up the role which county fair racing plays in the Maryland breeding industry.

"County fair racing . . . furnish[es] an arena in which the breeders with horses that have not developed the class necessary for the big tracks can acquire purse money to reduce the losses they sustain in their breeding ventures."

In keeping with these statements, the Racing Commission has been alert to maintain its policy that "[t]hese associations should not conduct racing as their primary attraction, but racing should be secondary to the real purpose for their existence." [1946 Report.] That Timonium has more than adequately met this standard is seen from the following year's report:

"The Commission is trying to emphasize and give effect to the requirement that the half-mile tracks must have a bona-fide, well organized and well-supported agricultural fair as a condition of a license to hold a race meet. . . . The agricultural exhibits and activities held in connection with the fair at Timonium were outstanding and have *won Timonium recognition as one of the best country fairs in the country.*" (1947 Report, emphasis added.)

In the early 1960's, another Maryland county fair was unable to conduct its racing and the State Racing Commission urgently requested Timonium to conduct such racing at its facilities for the other fair. To assist the State with its revenue needs, Timonium reluctantly agreed. The Maryland State Fair voluntarily paid Federal and state income taxes on the profits of such additional twelve racing days. These additional racing days are not involved in the present legislative proposal on unrelated business income.

It is obvious, but merits emphasis, that no part of the net profits of the Maryland State Fair inures to any individual. All funds go to support and improve the fair.

III. Facts Relating to Other Fairs and Expositions:

More than 300 state and county fairs are conducted in at least 46 states. In almost every one, some form of entertainment has been historically used to attract people to the fair and to otherwise assist the purposes of the fair. Such typical and traditional entertainment includes stage shows, midway rides, parimutuel thoroughbred racing, harness racing, dog racing and auto racing in conjunction with and as an integral part of the fair. Racing at fairs exists, to mention only a few, at the New Mexico State Fair, the Los Angeles County Fair, the Oregon State Fair, the Illinois State Fair, the DuQuoin State Fair (Ill.), the Clearfield County Fair (Pa.), the Montana State Fair, the Weymouth Fair (Mass.) and the Three County Fair (Mass.) Probably all of us have at some time attended such fairs and have

personally witnessed the traditional blending of agriculture, education and entertainment.

IV. Current Internal Revenue Service Position:

In 1955, the Internal Revenue Service compelled the Maryland State Fair to litigate in the United States District Court for the District of Maryland to obtain a decision that income from its horse racing was an integral part of the fair and not subject to the unrelated business income tax. The decision in favor of the Maryland State Fair is reported in 48 AFTR 1725. This decision did not end the question, however, since the Internal Revenue Service has continued to attempt to tax this income in subsequent years, and has even gone so far as to propose the revocation of the exemption of the entire fair. This case is, and has been for a considerable time, pending in the National Office of the Internal Revenue Service, presumably along with similar problems of other fairs.

In 1968, the Internal Revenue Service issued regulations intended to clarify the meaning of "related" activities of an exempt organization. Treas. Regs. § 1.513-1(d)(2) states that a business is considered "related" if its conduct—

"Has casual relationship to the achievement of exempt purposes . . .; and is 'substantially related', for purposes of section 513, only if the causal relationship is a substantial one."

Based on the long history of the relationship between the racing activities as an integral part of the fair, it might be imagined that the Internal Revenue Service would accept such a relationship under the language of this regulation. In October, 1968, however, the Internal Revenue Service issued Rev. Rul. 68-505, 1968 IRB-38, 16, which takes the position that income from the operation of racing in conjunction with a fair is unrelated business income subject to Federal income tax. The reasons given in this ruling are:

(1) That the races are carried on in a manner similar to commercial race tracks;

(2) That the conduct of the races is not related to the organization's exempt purpose because it does not contribute importantly to the educational objectives of the fair; and

(3) The races are not a type of recreational activity that is intended to attract the public to the fair's educational features.

This ruling involved an organization stated to be exempt as an educational organization under Section 501(c)(3), such as the Internal Revenue Service alleged Timonium to be. The ruling does not reach the question of whether the racing activities are related to the agricultural purposes of an organization such as Timonium except under Section 501(c)(5). Presumably, the Internal Revenue Service would take a similar position. In all events, why some fairs have been granted exemption under Section 501(c)(3) and others, under Section 501(c)(5) is an administrative mystery. Timonium applied for an exemption under Section 501(c)(5), but the Internal Revenue Service insisted on an exemption under Section 501(c)(3)! As noted above, the Internal Revenue Service now proposes no exemption.

Anyone who attends the races at a state fair can easily see the difference between the races conducted at the fair and races conducted by profit making organizations. Tracks operated as part of the fair are generally smaller, the horses are not nearly as advanced, the bettors generally bet only $2.00 per race, and the entire atmosphere is different. The races do attract people to the fair, as is borne out by attendance records maintained by the Maryland State Fair. Finally, the exempt purposes of the fair, i.e., agricultural and educational activities, are substantially advanced because of the conduct of racing activities.

V. Effect of Successful Maintaining of Internal Revenue Service Position Without Remedial Legislation:

The managers of various fairs across the country are in agreement that if fairs are held liable for Federal income taxes, they will no longer be able to operate, and an important segment of United States economy and history will be eliminated. Significantly, the Internal Revenue Service position, when tax exemption is not denied, is to tax racing and other entertainment income without even permitting any offset for losses realized on the operation of other aspects of the fair. Generally, the only profitable part of the operation of the fair is the horse races or other entertainment activity, whereas the other activities of the fair will operate at a loss. To simply segregate the profitable part of the fair and attempt to tax it is wholly unjust and would have disastrous results. Even if the tax exemption of fairs were eliminated altogether, so that the income on the profitable operations could be offset by the loss operations, it is extremely doubtful that the majority of fairs would be able to continue in the present form, because, instead of using net profits of the fair for maintaining quality and improving the fair, such funds would have to be used to pay income taxes.

VI. Solution:

The position of the Internal Revenue Service, allegedly taken under existing law, would, if sustained, mark the end of fairs throughout the nation, or at the least, require resort to local governmental financing, which in today's straightened circumstances cannot be realistically anticipated. Since administrative judgment has been so misdirected, the only feasible solution is remedial legislation not subject to administrative whim. The Maryland State Fair has learned that even successful litigation will not deter the Internal Revenue Service.

Accordingly, the Maryland State Fair, on behalf of itself and the hundreds of fairs, throughout the nation, respectfully urges the enactment of the suggested amendment to Section 513(d). In the proposed legislation, the term "public entertainment activity" is intended to cover the entertainment activities of fairs, be they midway rides, plays, vocalists or horse racing.

In order to eliminate current and costly disputes between the fairs and the Internal Revenue Service, it is required that the new Section 513(d) be effective for all tax years beginning on or after January 1, 1960.

SUMMARY DATA FOR CERTAIN LARGE FAIRS

[Prepared from data furnished by the respective fairs]

| Location and name of fair | Midway | Name shows | Other entertainment | Estimated percentage of gross revenue from entertainment | Legal organization |
|---|---|---|---|---|---|
| Arkansas: | | | | | |
| Fort Smith: Arkansas-Oklahoma Livestock Exposition District Free Fair. | Yes | Grand Ole Opry | Rodeo, thrill shows | 25.0 | Chamber of Commerce. |
| Little Rock: Arkansas Livestock Exposition. | Yes—Royal American Shows | | Rodeo, grandstand shows | | Nonprofit corporation; State subsidized. |
| California: | | | | | |
| Pomona: Los Angeles County Fair | Yes | None | Horseracing, rodeo, circus | 50.0 | Nonprofit corporation. |
| Santa Rosa: Sonoma County Fair | Yes | | Rodeo, horseracing, teen show, custom auto show, destruction derby. | 82.7 | Subsidized county agency. |
| Stockton: San Joaquin County Fair | Yes | Yes | Rodeo, horseracing | 9.0 | State agency. |
| Colorado: Pueblo: Colorado State Fair | Yes | Rex Allen | Rodeo, horseracing, Mexican rodeo. | 21.0 | Subsidized State agency. |
| Connecticut: Danbury: Great Danbury State Fair. | Yes | Yes | Thrill shows, animal and horse shows. | 10.0 | Taxable corporation. |
| Florida: | | | | | |
| Orlando: Central Florida Fair | Yes | None | | | Corporation |
| West Palm Beach: South Florida Fair and Exposition. | Yes | | Autoracing thrill show | 23.0 | Nonprofit corporation. |
| Georgia: | | | | | |
| Columbus: Chattahoochee Valley Fair. | Yes—Gooding's Million Dollar Midway. | The Charlies, The Great Erick, The Gutis Family, The Claytons, Welde's Bears, The Sensational Leighs. | | | Private nonprofit corporation Operate on city property. |
| Macon: Georgia State Fair | Yes—Carnival | None | None | None | Operated by chamber of commerce through agent association. |
| Illinois: | | | | | |
| DuQuoin: DuQuoin State Fair | Yes—Olson Shows | Eddie Arnold, Bob Hope, Perry Como, Red Skelton, Ernie Ford, Andy Williams, Nat King Cole, Steve Lawrence and Edye Gorme. | Harness racing (Hambletonian), auto racing. | 80.0 | Corporation; § 501(c)(5) exemption. |
| Peoria: Heart of Illinois Fair | Yes—Century 21 Shows | Pat Boone, Allen and Rossi, Eddy Arnold. | Pony show, horse show, antique auto show, "dancing waters," "Skipper the porpoise." | 20.0 | Nonprofit corporation. |
| Illinois: Springfield: Illinois State Fair | Yes—Olson Shows | Herb Alpert and Tijuana Brass, Bob Hope, Paul Revere and the Raiders, Eddy Arnold, Grand Ole Opry. | Harness racing, rodeo, auto and stock car racing, quarter horse racing, Indian show, fireworks. | | Subsidized State agency. |

| Location and name of fair | Midway | Name shows | Other entertainment | Estimated percentage of gross revenue from entertainment | Legal organization |
|---|---|---|---|---|---|
| Indiana: Indianapolis: Indiana State Fair. | Yes—Gooding's Million Dollar Midway. | Lawrence Welk, Eddy Arnold, Herman's Hermits, Tijuana Brass. | Horseracing, rodeo, auto racing, thrill show. | 20.0 | Do. |
| Iowa: | | | | | |
| Davenport: Great Mississippi Valley Fair. | Yes—Bluegrass Midway | Yes | Quarter horse racing, auto racing, horse shows, thrill shows. | | Nonprofit corporation; State and local support. |
| Des Moines: Iowa State Fair | Yes—Century 21 Shows | Ernie Ford, Andy Williams, Lawrence Welk. | Rodeo, harness racing, auto racing, thrill show, horse shows. | 32.0 | Subsidized State agency. |
| Spencer: Clay County Fair | Yes—Thomas Shows | Pat Boone, Kids Next Door | Rodeo, harness racing, midget and big car auto racing, chuckwagon races, destruction derby. | 40.0 | Corporation; nominal State and local support. |
| Waterloo: National Dairy Cattle Congress. | Yes | Arthur Godfrey | Rodeo, dogracing, midget auto racing, horse pulling. | 20–25.0 | Corporation. |
| Kansas: Hutchinson: Kansas State Fair | Yes—Royal American Midway | Morey Amsterdam, New Christy Minstrels, Grand Ole Opry. | Autoracing | 28.0 | Subsidized State agency. |
| Kentucky: Louisville: Kentucky State Fair | Yes—Deggeller | Eddy Arnold, New Vaudeville Band, Pat Boone, Skitch Henderson, Lassie, Dale Robertson. | Country and western music show, rodeo, circus. | | Corporation. |
| Maryland: Baltimore: Maryland State Fair. | Yes | Yes | Music shows, horse shows, horseracing. | 75.0 | Nonprofit corporation. |
| Massachusetts: | | | | | |
| Marshfield: Marshfield Fair | Yes—Playtime Shows | Adams and Soper stage shows | Horseracing | 50.0 | Corporation. |
| Topsfield: Topsfield Fair | Yes—Dean and Flynn Midway | Sam Howard's Water Show | Dogracing | Substantial | Nonprofit corporation; State support. |
| West Springfield: Eastern States Exposition. | Yes | Supremes, Victor Borge, Hollywood Palace. | Rodeo, autoracing, horse show | 17.0 | Corporation. |
| Massachusetts: | | | | | |
| Dighton: Rehoboth Fair | Yes | | Dog racing, stage shows | Substantial | Do. |
| Northampton: Three County Fair | Yes | Dennis Day, Buddy Rich | Horseracing, thrill show | 80.0 | Corporation; § 501(c)(5) exemption. |
| Michigan: | | | | | |
| Detroit: Michigan State Fair | Yes—W. G. Wade Show | Supremes, Brasil '66, Sandpipers | Circus, music shows | 5.4 | Selfsupporting State agency. |
| Saginaw: Saginaw County Fair | Yes | No | | 15.0 | Corporation. |
| Minnesota: St. Paul: Minnesota State Fair | Yes | Yes | Rodeo, autoracing, youth center | 35.0 | Selfsupporting State agency. |
| Mississippi: Tupelo: Mississippi Alabama Fair. | Yes—Olson Shows | Yes | Rodeo, livestock show | 15.0 | Nonprofit corporation. |
| Missouri: Springfield: Ozark Empire Fair | Yes—Century 21 Shows | Sonny James, Bobby Vinton, Brenda Lee. | Autoracing | 25.0 | Nonprofit corporation; some State and local support. |
| Montana: | | | | | |
| Billings: Midland Empire State Fair and Rodeo. | Yes—Frazier's World Fair Shows–Carnival. | Wayne Newton, Jimmy Dean, Jodie Gray. | Rodeo, horseracing | 29.8 | Selfsupporting State agency. |
| Great Falls: (Montana) State Fair | Yes | Lawrence Welk, Ernie Ford | do | 55.0 | Subsidized county agency. |
| Nebraska: Lincoln: Nebraska State Fair | Yes | Ernie Ford, Lawrence Welk | Horseracing, autoracing, circus | 30.0 | State-sponsored association. |
| New Jersey: Succasunna: Morris County Fair. | Yes—Amusements of Amercia | Harris & Jaeger | Stage shows and concerts | | Nonprofit corporation. |
| New Mexico: Albuquerque: New Mexico State Fair. | Yes | Dale Robertson, Ernie Ford, Marty Robbins, The Frontiersman, The Harmonicats. | Horseracing, rodeo | 75.0 | State-affiliated corporation § 501 (c)(5) exemption. |
| New York: Syracuse: New York State Fair. | Yes | | Auto racing | | Subsidized State agency. |
| North Carolina: Raleigh: North Carolina State Fair. | Yes—James E. Strates Show | Jimmy Dean | Rodeo, autoracing, thrill show | NA | Selfsupporting State agency. |
| North Carolina: | | | | | |
| Winston-Salem: Dixie Classic Fair | Yes | | Auto thrill show | | Trust of private foundation. |
| North Dakota: Minot: North Dakota State Fair. | Yes | Country and Western Stars | Autoracing, destruction derby, thrill show, tractor pulling. | 25.0 | Subsidized State Agency. |
| Ohio: Columbus: Ohio State Fair | Yes | Bob Hope, Andy Williams, Ernie Ford, Tijuana Brass, Herman's Hermits, Supremes, New Vaudeville, Band, Sonny and Cher, Sandpipers. | Horseracing, autoracing, horse shows. | | Do. |
| Oklahoma: Oklahoma City: State Fair of Oklahoma. | Yes—Royal American Show | Ice Capades, Grand Ole Opry | Rodeo, motorcycle races, auto races, midget auto races, thrill show. | 35.0 | Nonprofit corporation. |
| Oregon: Salem: Oregon State Fair | Yes—West Coast Shows | Jimmy Rodgers | Rodeo, horseracing, skydivers, animal village. | .5 | Self-supporting State agency. |
| Pennsylvania: | | | | | |
| Clearfield: Clearfield County Fair | Yes—James E. Strates Show | Al Hirt, Little Jimmy Dickers, Hip Nelson, Hardy Family, The Electric Prunes. | Harness racing, auto thrill show | 30.0 | Corporation; nominal State and local support. |
| Meadville: Crawford County Fair | Yes | Chitwood Thrill Show, Ken-Penn Amusement. | Harness racing, stock car racing | 25.0 | Nonprofit corporation. |
| South Carolina: Columbia: South Carolina State Fair. | Yes—Gooding's Million Dollar Midway. | None | None | 38.0 | Eleemosynary Corporation. |
| South Dakota: Huron: South Dakota State Fair. | Yes | Kids Next Door, Baja Marimaba Band, George Kirby. | Rodeo, harness and running horseracing, autoracing, thrill show, destruction derby. | 38.0 | Subsidized State agnecy. |
| Vermont: Rutland: Rutland State Fair | Yes—Gooding's Million Dollar Midway. | Grand Ole Opry, James Nelson, Howard Harris. | Rodeo, harness racing, thrill show, auto racing, vaudeville. | | Nonprofit corporation; State supported. |
| Washington: | | | | | |
| Spokane: Spokane Interstate Fair | | | Horse racing, auto racing, stage show. | 1.0 | Municipal corporation. |
| Yakima: Central Washington Fair | Yes—Meeker shows | Rex Allen, Nitty Gritty Dirt Band, Fossettes, The Wheelers, Sonny Moore's Roustabouts. | Rodeo, variety show | 17.0 | Corporation. |
| Wisconsin: | | | | | |
| Milwaukee: Wisconsin State Fair | Yes—Royal American Shows | Herb Alpert, Jack Benny, King Family, Art Linkletter. | Auto racing, grandstand shows | 25.0 | Self-supporting State agency. |
| Chippewa Falls: North Wisconsin State Fair. | Yes—C–21 Show | | Auto racing | | Separate corporation. |
| Vermont: Rutland: Rutland State Fair | Yes—Gooding's Million Dollar Midway. | Grand Ole Opry, James Nelson, Howard Harris. | Rodeo, harness racing, thrill show, autoracing, vaudeville. | | Nonprofit corporation; State supported. |
| Washington: | | | | | |
| Spokane: Spokane Interstate Fair | | | Horseracing, autoracing, stage show. | 1.0 | Municipal corporation. |
| Yakima: Central Washington Fair | Yes—Meeker Shows | Rex Allen, Nitty Gritty Dirt Band, Fossettes, The Wheelers, Sonny Moore's Roustabouts. | Rodeo, variety show | 17.0 | Corporation. |
| Wisconsin: | | | | | |
| Milwaukee: Wisconsin State Fair | Yes—Royal American Shows | Herb Alpert, Jack Benny, King Family, Art Linkletter. | Autoracing, grandstand shows | 25.0 | Selfsupporting State agency. |
| Chippewa Falls: North Wisconsin State Fair. | Yes—C–21 Shows | | Autoracing | | Separate corporation. |

Note: Other large fairs not responding but believed to have substantial entertainment gross receipts: California State Fair, Sacramento, Calif.; Florida State Fair, Tampa, Fla.; Southeastern Fair, Atlanta, Ga.; State Fair of Louisiana, Shreveport, La.

## ADDITIONAL COSPONSORS OF BILLS AND JOINT RESOLUTIONS

S. 1133

At the request of Mr. METCALF, the Senator from South Dakota (Mr. McGOVERN) was added as a cosponsor of S. 1133 to provide additional funds to the States for carrying out wildlife restoration projects and programs, and for other purposes.

S. 2801

At the request of Mr. PROXMIRE, the Senator from Oregon (Mr. PACKWOOD) was added as a cosponsor of S. 2801 to amend the Food, Drug and Cosmetics Act.

S. 3542

At the request of Mr. Moss, the Senator from New Mexico (Mr. DOMENICI) was added as a cosponsor of S. 3542, to authorize appropriations to the National Aeronautics and Space Administration for research and development relating to the seventh Applications Technology Satellite.

S. 3666

At the request of Mr. PROXMIRE, the Senator from North Carolina (Mr. HELMS) was added as a cosponsor of S. 3666 for the relief of Marlin Toy Products, Inc.

S. 3674

At the request of Mr. ABOUREZK, the Senator from Wyoming (Mr. HANSEN) was added as a cosponsor of S. 3674, to provide for thorough health and sanitation inspection of all livestock products imported into the United States, and for other purposes.

## SENATE RESOLUTION 348—SUBMISSION OF A RESOLUTION RELATING TO THE RETIREMENT OF MAJ. GEN. FRANCIS B. GREENLIEF, CHIEF, NATIONAL GUARD BUREAU

(Referred to the Committee on Armed Services.)

Mr. CURTIS. Mr. President, I wish to bring to the attention of this assembly the news that Maj. Gen. Francis S. Greenlief, the Chief of the National Guard Bureau, has announced his retirement from that position, and from active military service, effective June 30, 1974.

General Greenlief is a Nebraskan. He is a fine military leader. He is a war hero with a distinguished career in World War II. He is recognized in the Pentagon and across this great Nation as Mr. National Guard. He has demonstrated judgment and leadership, and has successfully implemented numerous innovative ideas to strengthen the National Guard and its role as a key component of our Defense Establishment.

With the support of his wife, Mavis, and six children, General Greenlief has devoted his entire life to the National Guard and service to his country. He is a native Nebraskan, having been born in Hastings, Nebr., where he was educated. In 1939 and 1940, as a student at the University of Nebraska, he was a member of the Rose Bowl football team which was the peak of Nebraska football until the great achievements of Nebraska football in the last decade.

General Greenlief was mobilized along with his fellow Nebraska National Guardsmen on December 23, 1940. As a graduate of the Infantry Officer Candidate School, he put into being the infantry motto of "Follow Me." He participated in the European theater of operations and served in Normandy, Northern France, Rhineland and Ardennes. He was awarded the Silver Star Medal for gallantry in action, the Bronze Star, the Purple Heart with three oak leaf clusters and the Combat Infantry Badge. Later the general earned the Distinguished Service Medal.

General Greenlief served with distinction in the Nebraska National Guard after World War II.

The general came to Washington January 1, 1960, as an officer in the National Guard Bureau. While serving in the National Guard Bureau, he has been the Executive Officer of the Army Division, the Assistant Chief, Army, Deputy Chief and since September 1, 1971, the general has served as the Chief, National Guard Bureau.

Many of my colleagues in both the Senate and the House are well acquainted with General Greenlief. The Chief of the National Guard Bureau has an important task. The National Guard numbers 500,000. The budget for the National Guard is over $2 billion. Members of the Armed Forces and Appropriations Committees are well aware of the ability of General Greenlief in supervising the necessary organization, training, logistics and personnel of the Army and Air National Guard.

During General Greenlief's tour in the National Guard Bureau, the National Guard has been thoroughly tested. He has had to supervise mobilization of elements of the National Guard. The recent civil disturbances required extensive National Guard participation. Numerous natural disasters have required Guard commitment. And as you know, the National Guard is often involved in communities across this country in their community action programs.

During his tour as Chief of the National Guard Bureau, the general has implemented numerous innovative ideas. Immediately upon taking office, General Greenlief established a goal for each State to double the black membership in the National Guard within a 1-year period of time. At the time of the startling anouncement of the sought-after increase, the Guard had fewer than 5,000 minority members representing only 1.22 percent of the total Guard strength. By his tactful but firm leadership, this number has now grown to more than 22,000 with all States included.

A tradition of the Guard was able-bodied males only. General Greenlief changed this. He set a goal of 400 women to be brought into the Guard in 1973. This goal has now been exceeded. The Guard now has more than 2,000 women.

General Greenlief recognized the importance of Army aviation. In 1969 he completed flight training and was designated as an Army aviator. Under his leadership as Chief of the National Guard Bureau, the Army aviation strength and aircraft inventory have more than doubled. He developed and obtained a defensive management Army aviation safety program which has had positive results in life and material savings.

General Greenlief is a fine leader for the Guard. With the cessation of hostilities in Vietnam and the elimination of the draft, Reserve Air Forces began to feel the urgent need for manpower. General Greenlief was quick to realize the seriousness of a "no draft" environment. He immediately instituted positive steps to insure maintenance of adequate strength in the Guard. As a result of actions personally implemented by General Greenlief, the Air and Army Guard are the only Reserve Forces which have met and exceeded their current strength authorization. This is an unprecedented accomplishment.

When both Secretary Laird and Secretary Schlesinger emphasized the part the Guard would play in the total force, General Greenlief went "all out" to insure that not only the Department of the Army and Department of the Air Force staff understood what this meant, but he persuaded each and every State adjutant general that the words meant what they said—the Guard was part of the total force. As a result, under General Greenlief's tactful but firm leadership, the 50 States, Puerto Rico, the District of Columbia, and the Virgin Islands now have the most mobilization-ready force the United States has ever had in the Reserve components, the Army and Air National Guard.

Mr. President, I wish to introduce a resolution citing Gen. Francis S. Greenlief's long and outstanding career in service to this Nation. I respectfully request that it be printed in the RECORD and that the Senate act favorably on it in recognition of his devotion to duty and country.

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

Whereas Major General Francis C. Greenlief, Chief, National Guard Bureau, will retire from that position and from active military service on June 30, 1974; and

Whereas Major General Francis S. Greenserved in the military service with great distinction for thirty-five years and during that period has brought much credit upon himself, the State of Nebraska, and the National Guard; and

Whereas during his distinguished military career, and particularly while serving as Chief of the National Guard Bureau, the said General Greenlief has exercised unerring judgment, introduced innovative ideas, and demonstrated outstanding leadership: Now, therefore, be it

*Resolved*, That the United States Senate expresses its sincere gratitude to Major General Francis S. Greenlief, Chief, National Guard Bureau, for his long and distinguished service to the United States and extends its congratulations and best wishes to him upon his retirement, effective June 30, 1974.

## ADDITIONAL COSPONSOR OF A RESOLUTION

SENATE RESOLUTION 344

At the request of Mr. PROXMIRE, the Senator from North Carolina (Mr. HELMS) was added as a cosponsor of Senate Resolution 344 to refer the bill (S. 3666) for the relief of Marlin Toy Products, Inc., to the Court of Claims.

## ADDITIONAL COSPONSORS OF A CONCURRENT RESOLUTION

SENATE CONCURRENT RESOLUTION 80

At the request of Mr. CURTIS, the Senator from North Carolina (Mr. HELMS), and the Senator from Wisconsin (Mr. NELSON) were added as cosponsors of Senate Concurrent Resolution 80 expressing the sense of the Congress regarding the annexation of the Blatic nations.

## H.R. 13163—CONSUMER PROTECTION AGENCY ACT—AMENDMENT

AMENDMENT NO. 1524

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

Mr. HANSEN (for himself, Mr. TOWER, Mr. MCCLURE, and Mr. MCCLELLAN) submitted an amendment, intended to be proposed by them, jointly, to the bill (H.R. 13163) to establish a Consumer Protection Agency in order to secure within the Federal Government effective protection and representation of the interests of consumers, and for other purposes.

## S. 707—CONSUMER PROTECTION AGENCY ACT—AMENDMENT

AMENDMENT NO. 1525

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

Mr. HANSEN (for himself, Mr. TOWER, Mr. MCCLURE, and Mr. MCCLELLAN) submitted an amendment, intended to be proposed by them, jointly, to the bill (S. 707) to establish a Council of Consumer Advisers in the Executive Office of the President, to establish an independent Consumer Protection Agency, and to authorize a program of grants, in order to protect and serve the interests of consumers, and for other purposes.

(Mr. HANSEN's remarks in connection with this amendment appear under the heading "Statements on Introduced Bills and Joint Resolutions," following introduction of S. 3694.)

## TEMPORARY INCREASE IN PUBLIC DEBT LIMIT—AMENDMENTS

AMENDMENT NO. 1526

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

Mr. KENNEDY (for himself, Mr. BAYH, Mr. CRANSTON, Mr. HART, Mr. HUMPHREY, Mr. MONDALE, Mr. MOSS, Mr. RIBICOFF, and Mr. MUSKIE) 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. 1528

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

Mr. FONG. Mr. President, I introduce an amendment to H.R. 14832, the debt limit bill, to change the Internal Revenue Code by exempting a substantial number of persons past 65 from the requirement to file declarations of income tax estimates—with quarterly payments thereon.

The amendment specifically would relieve persons age 65 and over of the necessity of filing a declaration of estimated tax with respect to income from pensions or retirement annuities, or with respect to income from interest, dividends, and rents when it is not in excess of $2,000.

My purpose in introducing this amendment is to simplify the income tax payment procedure for many older Americans who are already overly harassed by intricacies of the income tax law. There will be no cost to the Government since it does not waive the ultimate tax liability of the individual concerned. It would simply have the effect of requiring but one annual calculation of the tax should they so elect.

No group of American citizens is more conscientious in payment of income taxes than persons past 65. Their very determination to pay their fair taxes, as a matter of fact, in many cases results in the tax estimate declaration—and possible quarterly amendments—becoming more than just a nuisance. Often the process becomes a source of considerable worry and may be costly if the older person feels forced to employ a tax consultant.

Prior to retirement, most older Americans were never required to file a declaration of estimated tax because almost all of their income was in the form of salary or wages subject to automatic deduction. When they retire, however, all of a sudden they must file a declaration of estimated tax if their estimated tax is $100 or more, and if their gross income includes more than $500 in income not subject to withholding.

My amendment eliminates this new and potentially distressing tax form from being thrust upon the inexperienced low- and middle-income taxpayer, who often is least able to afford a competent tax consultant to assist him or her with the additional tax form.

At a time when we are all concerned about the problems faced by older taxpayers in properly completing their returns, including the frequent overpayment of taxes by them, I believe we should do all we can to ease the tax filing burden we impose on them. This amendment would go a long way toward such simplification.

Mr. President, I ask unanimous consent that the amendment be printed at this point in the RECORD.

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

AMENDMENT No. 1528

At the end of the bill, add the following new section:

SEC. —. (a) Section 6015 (a) of the Internal Revenue Code of 1954 (relating to requirement of declaration) is amended by—

(1) striking "subsection (b)" wherever it appears and inserting in lieu thereof "subsection (c)"; and

(2) striking the last sentence.

(b) Section 6015 of such Code is amended by redesignating subsections (b) and (c) as (c) and (d), respectively, and by inserting after subsection (a) the following new subsection:

"(b) DECLARATION NOT REQUIRED.—Notwithstanding the provisions of subsection (a), no declaration is required—

"(1) if the estimated tax (as defined in subsection (d)) can reasonably be expected to be less than $100, or

"(2) in the case of a taxpayer who has attained the age of 65, with respect to income from pensions and retirement annuities, or with respect to income from interest, dividends, or rents to the extent that the aggregate amount of interest, dividends, and net rental income does not exceed $2,000 during the taxable year."

(c) The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1974.

Amend the title of the bill so as to read: "An Act to provide for a temporary increase in the public debt limit, and for other purposes."

AMENDMENT NO. 1529

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

Mr. BENTSEN. Mr. President, I am today offering an amendment to the debt ceiling bill, H.R. 14832, which would repeal the oil and gas depletion allowance for production outside of the North American Continent and the so-called per country limitation to the foreign tax credit, allowing major oil companies to off-set their foreign drilling expenses against U.S. income rather than their foreign income. Together these two changes would raise approximately $150 million annually in new revenue from foreign oil and gas operations effective this year.

I introduced legislation to repeal the percentage depletion allowance for production outside North America earlier this year because I believe this favorable tax treatment should be reserved for oil and gas production where there is greater certainty of it being available to our Nation. In addition to greatly expanding our domestic oil and gas activities we should work with our immediate neighbors to both the north and south to develop our energy resources in areas where delivery channels are relatively secure.

My amendment would allow the percentage depletion allowance on production from the area between the North Pole and the Panama Canal and from the outer edge of the Aleutian Islands to a line including Newfoundland and the Caribbean Islands but deny it on production outside that area.

The second part of my amendment would repeal the tax planning device referred to as the "per country" limitation which enables multinational oil companies to reduce their U.S. taxes by over $100 million per year.

Under present law, a U.S. taxpayer who pays foreign income taxes on his income from foreign sources is allowed a foreign tax credit against his U.S. tax on his foreign source income. This foreign tax credit system recognizes the principle that the country in which business activity is conducted has the first right to tax the income from that activity even though that activity is carried on by a corporation or individual from another country. The home country of the individual or corporation has a residual right to tax that income, but only so long as double taxation does not result. While some countries, such as France and the Netherlands, avoid international double taxation by exempting all income from foreign operations, most of the other

major industrial nations—including the United States, Great Britain, Germany, Canada, and Japan—use the credit system to avoid double taxation of income.

The credit system avoids double taxation by granting the taxpayer a dollar-for-dollar credit against his U.S. tax liability for income taxes paid to a foreign country. To prevent foreign taxes paid on foreign source income from reducing the U.S. taxes paid on income earned in the United States, present law provides a limitation on the amount of foreign taxes which may be credited in any 1 year .

Under present law a taxpayer is allowed to select either the "per country" or the "overall" limitation for the foreign tax credit.

The per-country limitation limits the credit to the amount of U.S. tax on the net income from each country. It treats the income from each country as a single unit. Thus, if the rate of tax in any country exceeds the U.S. rate, the excess is not creditable.

The overall limitation treats all foreign income and losses as a single unit. The credit is limited to the amount of U.S. tax paid on the aggregate net income from all foreign sources. Thus it permits averaging high and low tax rates in various countries.

In general, to the extent a company has losses in some foreign countries it tends to be better off under the country by country limitation. To the extent it does business in countries with effective tax rates over 48 percent, it tends to be better off under the overall.

Many petroleum companies with large intangible drilling expenses abroad find the "per country" limitation advantageous. In fact, all but three or four of the major oil companies use the per country limitations. The reason for this is the fact that when such companies have a loss—frequently from foreign intangible drilling expenses—in one country or more, the loss can be offset against U.S. income rather than used to reduce foreign income from other countries for purposes of the ratio in the tax credit limitation which would reduce the taxes which can be used as a credit in the case of these other foreign countries.

The use of the per-country limitation often permits a U.S. taxpayer who has losses in a foreign country to obtain what in effect is a double tax benefit. Since the limitation is computed separately for each foreign country, these losses do not have the effect of reducing the credit allowed for foreign taxes paid in other foreign countries from which income was derived. Instead, the losses reduce U.S. taxes on U.S. source income. In addition, when the business operations in the loss country become profitable, a credit is allowed for the taxes paid in that country against what otherwise would be the U.S. tax on the income from that country.

In other words, a U.S. taxpayer with losses from a foreign country using the per-country limitation receives one tax benefit when losses arise—in that they are allowed to reduce U.S. tax on U.S. income—and can receive a second tax benefit when income is derived from that foreign country—in that no U.S. tax is imposed on the income to the extent of the foreign taxes on that income.

In the case of income from foreign oil and gas production, the foreign taxes on that income are normally in excess of the U.S. effective rate of tax on that income. Thus, U.S. oil and gas companies which use the per-country limitation are able to reduce their tax on their U.S. source income by the use of the losses on their foreign drilling projects and in addition pay no tax on their foreign source income when their projects go into production and become profitable.

If the costs of drilling operations are to be used to reduce the U.S. taxes on U.S. source income, these operations should be conducted in the United States where the United States can be assured that the oil and gas production is used for domestic needs and the revenue from the production will pay U.S. rather than foreign taxes.

It is not appropriate to continue to permit oil and gas companies to use the per-country limitation. Instead, these companies should be required to deduct their foreign oil-related losses against their foreign oil-related income.

Therefore, in the case of foreign oil-related income, the amendment provides that the overall limitation is to apply and that the per-country limitation is not to apply to oil and gas operations. For this purpose, the taxpayer is to be treated as if the election to use the overall limitation—section 904(b)(1)—has been made. This change is to be effective for taxable years ending after December 31, 1973.

AMENDMENT NO. 1531

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

Mr. MATHIAS (for himself, Mr. BEALL, and Mr. TUNNEY) submitted an amendment intended to be proposed by them to the bill (H.R. 14832), supra.

(The remarks of Mr. MATHIAS on the submission of the above amendment appear under "Statements on Introduced Bills and Joint Resolutions.")

## COMMUNITY ACTION ADMINISTRATION ACT—AMENDMENT

AMENDMENT NO. 1527

(Ordered to be printed and referred to the Committee on Labor and Public Works)

Mr. FONG. Mr. President, I offer an amendment to broaden the definition of "Native Hawaiian" in H.R. 14449, the proposed Community Services Act of 1974, so as to permit many more people of Hawaiian ancestry to participate in the Native American program provided under title III of the bill, which is now pending before the Senate Committee on Labor and Public Welfare.

One important program extended by H.R. 14449 is the "Native American program," title VIII of the bill. This is a program which would make available Federal grants for a broad range of programs "promoting the goal of economic and social self sufficiency" of Native Americans. Native Hawaiians were included as participants in this program along with American Indians and Native Alaskans.

Unfortunately the definition of Native Hawaiians, as proposed in the House and adopted by the House on May 29, is unnecessarily restrictive, permitting only persons of no less the one-half Hawaiian blood to directly participate in this self-help program.

The definition given a Native Hawaiian in the bill is "as defined in the Hawaiian Homes Commission Act of 1920 as amended." The pertinent language of the act referred to is as follows:

> The term "Native Hawaiian" means any descendant of not less than one-half part of the blood of the races inhabiting the Hawaiian Islands previous of 1778. (Hawaiian Homes Commission Act of 1920, Act of July 9, 1921 (42, 42 Stat 108, Title 2, Section 201, (7).)

The definition found in the Hawaiian Homes Commission Act is a statement of qualification only for participation in the program of that particular act and not a definition of a Native Hawaiian as it is understood in the Hawaiian community.

This restriction of "not less than one-half part of the blood" would foreclose thousands, if not the majority, of the people of Hawaiian ancestry from the benefits of this proposed Community Act of 1974, in many cases the very people who need the benefits of the act the most.

This fractional restriction of blood has, wisely, not been imposed on the American Indian and Alaskan Native. It should not be imposed on the Hawaiian.

My amendment would extend eligibility to any person who could qualify under the following definition of "Native Hawaiian":

> The term "Native Hawaiian" means any individual any of whose ancestors were natives of the area which consists of the Hawaiian Islands prior to 1778. (1778 is the year Hawaii was discovered by Captain Cook.)

This amendment will serve two purposes:

First. It defines a Hawaiian in a manner commonly accepted by the Hawaiians.

Second. It treats the Hawaiian the same as an American Indian and Native Alaskan.

I urge the Senate Committee on Labor and Public Welfare to approve my amendment to H.R. 14449.

## AMATEUR ATHLETIC ACT OF 1974—AMENDMENT

AMENDMENT NO. 1530

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

Mr. COOK. Mr. President, I am introducing today an amendment in the nature of a substitute to titles I and II of S. 3500, the Amateur Athletic Act of 1974. The amendment contains essentially the same language as S. 3273, introduced earlier in the session by Senator HUMPHREY and me, but with several important revisions.

I am convinced that this amendment, if adopted, will provide an effective and suitable resolution to many of the problems that have plagued amateur athletics

in this country for over six decades. It will do so, unlike titles I and II of S. 3500, without the establishment of another Federal body, and without a substantial cost to the Nation's taxpayers.

Most important, however, it will provide the amateur athletes in America with a true bill of rights, and a sound and fair mechanism for implementing those rights. I hope that all of my colleagues will give their serious attention to this amendment when S. 3500 comes before the Senate for consideration.

I ask unanimous consent that the full text of the amendment be printed in the RECORD at this point.

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

AMENDMENT No. 1530

On page 1, line 3, strike everything through page 23, line 3, and insert in lieu thereof the following:

"That section 3 of the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 (36 U.S.C. 373), is amended by striking out 'amateur representation' in paragraph (4) and inserting in lieu thereof the following: 'administrators, coaches, and amateur athletes.'

SEC. 102. Section 4 of the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 (36 U.S.C. 374), is amended—

(1) by inserting '(a)' before 'The corporation shall have perpetual succession';

(2) by striking out paragraph (9);

(3) by redesignating paragraphs (10), (11), and (12) as paragraphs (9), (10), and (11), respectively; and

(4) by inserting at the end thereof the following new subsection:

'(b) The corporation shall have the power to adopt and alter a constitution and bylaws not inconsistent with the laws of the United States, except that the corporation may alter the constitution only if—

'(1) the corporation publishes in a newspaper or magazine of national circulation or in any publication published by the corporation, and in the Federal Register, a general notice of the proposed alteration of the constitution including the terms of substance of such alteration, the time and place of the corporation's regular meeting at which such alteration is to be decided, and a provision informing interested persons that they may submit materials as authorized by paragraph (2);

'(2) for a period of at least thirty days after the date of publication of such notice in the Federal Register, the corporation gives to all interested persons an opportunity to submit written data, views, or arguments concerning the proposed alteration;

'(3) the corporation decides upon the alteration for which notice was published under paragraph (1) only after the thirty-day period under paragraph (2) and only at a regular meeting (with or without opportunity for a written or oral presentation by any interested person whom the corporation may invite to such meeting); and

'(4) the corporation mails the alteration to all persons who submitted any material under paragraph (2) and to all persons who submitted a written or oral presentation under paragraph (3).'

SEC. 103. The Act entitled 'An Act to incorporate the United States Olympic Association,' approved September 21, 1950, is further amended by inserting after section 4 the following new section:

'SEC. 4A. (a)(1). No individual who is eligible under applicable international or applicable national amateur athletic rules and regulations may be directly or indirectly denied his right to attempt to qualify for selection, or his right (if he so qualifies) to participate, as an athlete or coach, trainer, administrator, manager, or other official representing the United States in any international amateur athletic competition, if such competition involves any sport included on the Olympic games or pan-American games program during the Olympiad time period concurrent with such attempt to qualify for such participation. Notwithstanding the provisions of the preceding sentence, any university, college, high school, or other educational institution which an individual is attending at the time of such attempt to qualify, or (in the case of a coach, trainer, administrator, manager or other official) which employs such individuals, may deny the individual the institution's permission and approval for such attempt or participation, except that no institution may deny any individual such right of participation unless the basis for such denial relates solely to that individual's academic or athletic interests at that institution.

'(2) There shall be a reasonable number of amateur athletes (who have represented or are representing the United States in any international amateur competition in any sport included on the Olympic games or pan-American games program during the Olympiad time period concurrent with such representation) as members on the governing board of the governing board for that sport. For the purposes of this Act, the term "reasonable number" shall mean not less than 20 per centum of the membership of the governing body for that sport.

'(b) Any national amateur sports organization may seek recognition as a governing body if it establishes by a preponderance of the evidence that it more completely meets the following criteria in comparison with the existing governing body:

'(1) It provides, at the time of arbitration under subsection (d) more effective national competition in the sport (at appropriate levels of ability and for both sexes if appropriate) for which it claims recognition as the governing body, so that such competition will result in a higher quality of United States athletes in all international amateur athletic competition for such sport.

'(2) It provides (without regard to race, creed, color, religion, or sex) equal opportunity, for competition in the sport for which it claims recognition as the governing body, to all individuals who are eligible under applicable international or applicable national amateur athletic rules and regulations; and it applies international rules and regulations concerning athletic eligibility and competition without discrimination to all such individuals.

'(3) It has a reasonable number of amateur athletes (who have represented or are representing the United States in any international amateur athletic competition in the sport for which the organization claims recognition under this subsection, and which is included on the Olympic games or Pan-American games during the Olympiad time period concurrent with or immediately preceding such claim for recognition) as members of its governing board for that sport.

'(4) Its voting membership is open to any national amateur sports organization in the sport for which it claims recognition as the governing body under this subsection and to any amateur sports organization whose members operate state-wide athletic programs which affect the selection or qualification of athletes to represent the United States in international amateur athletic competition in that sport.

'(5) There are voting representatives of national amateur sports organizations (which represent the sport for which recognition is claimed under this subsection, if the sport is included on the Olympic games or Pan-American games program during the Olympiad time period concurrent with such claim for recognition) as members of its governing board for that sport.

'(6) Members on its governing board are selected without regard to race, creed, color, religion, or sex.

'(7) The terms of office of such members are expressly limited to a reasonable period.

'(8) It is financially able to perform the functions of the United States member of the international amateur sports federation recognized by the International Olympic Committee for the sport concerned, and it is able to comply with all applicable international requirements (written and uniformly applied to all nations) relating to recognition as the governing body for the sport for which it claims recognition.

'(c) Any individual who alleges he has been denied a right established under subsection (a) in violation of such subsection may submit to any regional office of the American Arbitration Association a claim documenting the denial, but shall submit such claim within 30 days after the denial: *Provided further*, That the association is authorized, upon forty-eight hours notice to the parties, to hear and decide a matter under such procedures as the association deems appropriate if the association determines that it is necessary to expedite such arbitration in order to resolve a matter relating to an amateur athletic competition which is so scheduled that compliance with regular procedures would not be likely to produce a sufficiently early decision by the association to do justice to the affected parties.

'(d) Any national amateur sports organization claiming recognition under subsection (b) shall submit such claim to any regional office of the association not later than one year after the termination of any summer Olympic games. The association shall serve notice on the parties to the arbitration and on the corporation, and shall immediately proceed with arbitration according to the commercial rules of the association; except that (1) for any arbitration in which at least two of the parties are not individuals, there shall be not less than three arbiters selected by the association, (2) there shall only be arbitration of a claim under subsection (b) after the ninetieth day after the day that the national amateur sports organization submitted such claim to the association, and (3) the arbitration decision shall be served on the corporation in the same manner as it is to the parties to the arbitration.

'(e) Any person whose claim is upheld by an arbitration decision under subsection (c) or (d) may bring suit in a United States district court having jurisdiction over any party to such arbitration to compel compliance with the terms of such decision. In addition to the provisions of the first sentence, any party to such an arbitration decision may bring suit in such court for review of the decision within a period of sixty days after the decision; except that the court may only modify or set aside the decision if it is procured by fraud, if it is clearly erroneous, or if the subject matter for the arbitration is not included within the paragraph under subsection (a) or (b) upon which the person based his claim for arbitration under subsection (c) or (d). Any person who submits a claim for arbitration under subsection (c) or (d) may bring suit in such court to compel arbitration pursuant to subsection (c) or (d), and the arbiters or an arbitration under subsection (c) or (d) may petition such court to enforce compliance with a subpoena issued by the arbiters pursuant to the rules of the American Arbitration Association. Any individual who alleges he has been denied a right established under sub-

section (a) in violation of such subsection may (in lieu of seeking arbitration under subsection (c)) bring suit in such court for adjudication of such denied right.

'(f) Any person seeking arbitration under this section shall have the burden of introducing the evidence to support his claim and shall have the burden of proving his claim; except that when any individual seeks arbitration because of an alleged violation of a right established by paragraph (1) of subsection (a), the burden of introducing the evidence and the burden of proof shall be on the person who allegedly violated such right.

'(g) If an arbitration decision upholds a claim of a national amateur sports organization for recognition as a governing body under subsection (b), the corporation shall (on the sixty-first day after such decision) recommend in writing and support in any other appropriate manner such sports organization to the appropriate international governing body for recognition by such international body as the governing body; except that if there is district court review under subsection (e), such recommendation and support shall occur immediately after the judicial review upholds such decision. Such support shall include, but not be limited to, providing such sports organizations voting membership in the corporation and on the governing board of the corporation proportionate to that of the internationally recognized national sports governing bodies in other Olympic sports, and restructuring the membership of the Games Committee in that sport and other Committees as appropriate to reflect that such sports organization is the sole sports body nationally recognized to govern in that sport. A governing body against which a successful challenge has been made by a national sports organization under subsection (d) shall not attempt to influence the international sports federation in that sport to reject the decision of the arbitration and shall (on the sixty-first day after such decision) send a letter to the international sports federation endorsing the national sports organization whose claim was upheld; except that if there is district court review under subsection (e), such a letter shall be sent immediately after the judicial review if such review upholds such decision.

'(h) The arbiter of any arbitration under subsection (c), or a majority of the arbiters under subsection (d)(1), may order that the losing party pay to the prevailing party reasonable fees for attorneys' services rendered for such arbitration. The district court may order that the losing party to a suit under subsection (e) pay to the prevailing party reasonable fees for attorneys' services rendered for such suit.

'(i) For the purposes of this section—

'(1) The term "international amateur athletic competition" means any athletic event between an athlete or team of athletes representing the United States and an athlete or team of athletes representing any foreign country, conducted in compliance with applicable national and international requirements.

'(2) The term "Olympiad time period" means the time period beginning at the termination of any summer Olympic games and ending at the termination of the following summer Olympic games.

'(3) The term "governing body" means the national amateur sports organization which is recognized by the international governing body for a sport as the national representative for that sport for international amateur athletic competition in the Olympic games and pan-American games.

'(4) The term "national amateur sports organization" means any club, federation, union, association, or similar group in the United States (A) which conducts regular national competition in a sport on the Olympic games or pan-American games program concurrent with such competition, (B) which is capable of holding an annual national championship in any such sport from which a team of athletes or a substantial number of athletes who are not members of a team could be selected to represent the United States in international amateur athletic competition, and (C) is capable of conducting international amateur athletic competition in any such sport.'.

SEC. 104. Section 5 of the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 (36 U.S.C. 375), is amended by inserting after 'bylaws of the corporation' the following: ', except that any governing body may only be a member of the corporation if it files an annual financial statement with the Congress. Any such statement shall not be printed as a public document'.

SEC. 105. Section 9 of the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 (36 U.S.C. 379), is amended—

(1) by striking out 'the emblems of the United States Olympic Committee' and inserting in lieu thereof the following: '(1) the emblem of the United States Olympic Committee'; and

(2) by striking out 'or the words "Olympic," "Olympiad," or "Citius Altius Fortius" or any combination of those words' and inserting in lieu thereof the following: '(2) five interlocked rings or any other symbol tending to represent such five interlocked rings (whether or not such symbol is a sign or insignia under clause (1), or (3) the words "Olympic," "Olympiad," or "Citius Altius Fortius," or any combination or confusingly similar derivation of any of these words.'

SEC. 106. The amendments made by this Act shall take effect on the date of enactment of this Act. However, the amendments made by paragraph (2) of section 105 of this Act shall not apply to any person that used the rings, symbol, or derivation of words proscribed by such paragraph (2) for any lawful purpose prior to the date of enactment of this Act if such person uses such rings, symbol, or derivation of words proscribed by such paragraph (2) for any lawful purpose prior to the date of enactment of this Act if such person uses such ring, symbol, or derivation for the same purpose and for the same class of goods after the date of enactment of this Act."

"On page 24, line 1, change 'TITLE III,' to read 'TITLE II.' On page 24, line 4, change 'Sec. 301' to read 'Sec. 201.' On page 30, line 5, change 'Sec. 302' to read 'Sec. 303' to read 'Sec. 203'. On page 36, line 2, change 'Sec. 304' to read 'Sec. 204'. On page 36, line 18, change 'Sec. 305' to read 'Sec. 205'.

## ADDITIONAL COSPONSORS OF AMENDMENTS

AMENDMENT NO. 1375

At the request of Mr. HATHAWAY, the Senator from Indiana (Mr. BAYH) and the Senator from Maryland (Mr. BEALL) were added as cosponsors of amendment No. 1375, intended to be proposed to the bill (S. 2351) to prohibit sex discrimination by educational institutions whose primary purpose is the training of individuals for the military services of the United States or the merchant marine.

AMENDMENT NO. 1436

At the request of Mr. HASKELL, the Senator from Illinois (Mr. STEVENSON) and the Senator from South Dakota (Mr. MCGOVERN) were added as cosponsors of amendment No. 1436, to prohibit treatment as foreign income taxes any royalty payments made to foreign governments in connection with the extraction of oil or gas from a foreign country, intended to be proposed to the bill (H.R. 14832) to provide for a temporary increase in the public debt limit.

AMENDMENT NO. 1447

At the request of Mr. RIBICOFF, the Senator from Connecticut (Mr. WEICKER) was added as a cosponsor of amendment No. 1447, intended to be proposed by him, to the bill (H.R. 14832) to provide for a temporary increase in the public debt limit.

AMENDMENT NO. 1523

At the request of Mr. MUSKIE, the Senators from California (Mr. CRANSTON and Mr. TUNNEY), the Senator from Indiana (Mr. BAYH), the Senator from Ohio (Mr. METZENBAUM), and the Senator from Michigan (Mr. HART) were added as cosponsors of amendment No. 1523, intended to be proposed to the bill (H.R. 14832) to provide for a temporary increase in the public debt limit.

## ADDITIONAL STATEMENTS

### PRESIDENT'S ECONOMIC CHIEF PLAYS POLITICS WITH THE ECONOMY

Mr. PROXMIRE. Mr. President, the President's chief economic adviser, Kenneth Rush, has violated all the rules governing release of Government economic statistics.

In a recent interview Mr. Rush revealed estimates of the change in prices and in real output for the second quarter. If these estimates are correct they are indeed good news since they show real output increasing—rather than declining as it did in the first quarter—and they show a sharp drop from the intolerable first quarter rate.

But can we believe these numbers? Unfortunately, the answer is "no." The second quarter is not even over yet. Nobody knows how much output or prices increased.

The numbers Mr. Rush released are extremely rough confidential estimates made by the Department of Commerce for their own use. They are not even the official preliminary estimates. The first official preliminary estimate will not be available until around July 20. There are four reasons why Mr. Rush should not have released these numbers.

First, these early estimates have always been kept highly confidential. They are never made available to Members of Congress and only a few people within the administration have access to them.

Second, these estimates are so rough and the possibility of error so great that they have little meaning, except to economic specialists who understand the uncertainties surrounding the estimates. For example, these estimates are based on only one of 3 month's data for construction, inventories, and the balance of trade. For other items, the estimates are based on data for only 2 months of the 3-month quarter. Obviousy we have no data yet for the month of June, except a few weekly fragments.

Third, even if these estimates were suitable for release, they should not have been released by Mr. Rush. Mr. Rush is

a political appointee. The rules governing release of economic data state that such release is to be made by the technical experts in the agency preparing the data. Under the long agreed to procedures at least 1 hour is to elapse before any political appointee comments. The Joint Economic Committee has struggled for several years to see that this rule is observed uniformly throughout the executive branch. Now it has been deliberately violated at the highest levels.

Fourth, one cannot help but suspect that this information was released only because it sounds like good news. Would Mr. Rush have called an interview to release confidential estimates if the estimates had shown real GNP declining and inflation continuing at a 12-percent rate?

Mr. Rush has refused to testify in open session before the Joint Economic Committee or other committees of Congress. Yet he calls private press interviews to leak information which can only confuse the public by the premature release of rough and possibly misleading data estimates.

There is now more reason than ever why Mr. Rush should appear in public before the appropriate congressional committees where he can be questioned and examined about the inadequate and partial statistics he has leaked.

One of the great dangers we face—a danger equal to Watergate in my opinion—is the corruption of our official statistics by political appointees for political purposes.

Mr. Rush in his new job as the President's chief economic spokesman has shown a disdainful and wholly unprofessional attitude toward the proper use of Government statistics. The only proper way by which he and others can remain accountable to Congress and the public is to appear in public. I intend to continue my efforts to make that happen.

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## POLITICAL PRISONERS

Mr. ABOUREZK. Mr. President, 25 years after the signing of the Declaration of Human Rights, it should not be necessary to discuss the violations of the basic rights and dignities of every human being, simply because those violations should no longer exist. However, the stark truth of the matter is that torture and unfair imprisonment does exist. The urgency of this problem was underlined by the call made by the General Assembly of the United Nations which noted on November 2, 1973, that "torture is still being practiced in various parts of the world." The research and documentary evidence available more than justifies this concern of the U.N.

There is no doubt that the practice of torture has been on the increase in recent years. There is no doubt that its use has been more widespread. There is no doubt that it is practiced with the direct or implied permission of a large number of governments, many of whom consider themselves civilized, and most of whom receive ample doses of U.S. foreign aid. There is no doubt that, like a contagious disease, it spreads from one country to another, and in many cases, is deliberately imported by the armed services of one country and taught to the services of another country. Brutality evokes more brutality and violence by those against whom it is used. Hence the continued escalation in the brutality which engulfs many parts of the world.

There can never be any justification for the use of torture. Some governments seek to justify it on the grounds that it is necessary in order to extract information from subversive organizations. But, it seems to me that torture is being used more as a weapon to silence opposition and criticism than as a means of obtaining information. For whichever purpose it is used, it is a crime against humanity and involves the negation of all the principles set out in the Universal Declaration of Human Rights.

Recently, Robert Shelton wrote an excellent article in the Saturday Review World which provides an interesting and valuable insight into the problem of torture and imprisonment of prisoners of conscience. It is an article which I strongly recommend to each of my colleagues as one of the most up-to-date and accurate reports on the inhumane atrocities now being committed within the countries whose governments are counted among our friends.

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

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

[From the Saturday Review World, June 15, 1974]

### THE GEOGRAPHY OF DISGRACE—A WORLD SURVEY OF POLITICAL PRISONERS

(By Robert Shelton)

LONDON.—One of the ugliest aspects of modern life is the fact that between one and two million people are at this moment in jail solely because of their political beliefs.

This political imprisonment takes various forms: internal exile—a kind of "house arrest" within the borders of a country; banishment to remote penal islands; and being locked up in concentration camps, city jails, national prisons, and other kinds of detention centers.

Conditions in these prisons are, needless to say, usually sub-human and insupportable: Torture, painful shackeling, perennial semi-starvation, and carefully calculated breakdown of prisoner morale are the very grammar and rhetoric of political detention.

No matter that very few of these political prisoners are terrorists, guerrillas, bomb-throwers, or even philosophical advocates of violent change. The fact that their outlooks have in some way irritated the authorities enough to brand them as "illegals," as dangerous, disruptive "elements."

To many readers of this article, the foregoing may seem a bit strong. Is it really true, you may well ask, that an Indonesian novelist has been shipped off to a malarial island and told he will never write again, never be free again? Is it true that a black Rhodesian nationalist has been in jail for ten years without trial? That a Yugoslav educator has been sentenced to five years' hard labor solely for corresponding with an American professor? That South Korean college students face death penalties for *any* protest activity? The answer, sad to say, is yes.

Most amazingly, the ninety countries known to hold political prisoners run across all sociopolitical lines. There is nearly as much use for the jailer of ideas in the "free world" as there is in the Communist bloc. The supposedly idealistic emergent group of Third World nations is not only not immune to the jailing fever but also is in fact heavily in the business of locking up dissenters. In many such nations, to paraphrase the German military theoretician Karl von Clausewitz, the imprisonment of dissenters is simply the continuation of state policy by other means.

Imprisonment is not the only way of silencing dissent. Amnesty International, an organization that monitors the political-prisoner situation, recently reported that torture of such prisoners is rampant in sixty countries. "Torture," the organization states, "is as unthinkable as slavery," but it is practiced widely. Amnesty International's blistering 224-page *Report on Torture* found that pain-inflicting techniques, "the ultimate corruption," have virtually "become a worldwide phenomenon" practiced "in an effort to retain political power."

Still another form of repression is the "extra-judicial persecution" that denies professional people and artists the right to pursue their occupations. This ploy has been developed to a high degree in Czechoslovakia, where countless scientists, historians, and writers have been reduced to doing menial labor—that is, they are serving life sentences outside jail.

Americans tend to take the "rule of law" for granted and to believe that the wheels of justice will, however slowly, ultimately free the innocent and imprison the guilty. But just *what* law is meant, when dictatorships of the Right, the Left, or of the nationalist center tailor the law to suit expediency? And of what value is even a facade of law in Guatemala or Brazil, where paragovernmental death squads preempt the judicial process? A recent report to the *Guardian* stated: "There are no political prisoners in Guatemala. They are shot before there is time to register them in that category. The current estimate is that ten thousand have 'disappeared' since . . . 1970."

Although less prevalent than imprisonment, death and banishment for political "crimes" are still practiced. Iraq, Indonesia, Yemen, and Uganda still execute opponents of the regime. The number of executions in Iran has risen to 198 in the last three years. Banishment to remote parts of the Soviet Union, Rhodesia, and South Africa continues. Perhaps worse than banishment is the Soviet practice of sending dissenters to lunatic asylums. In such a climate, who is sane and who is really insane?

Political dissent has grown since the beginning of the century. Rising economic, social, and political expectations have led to more questioning and agitation for change. One might expect more repression in unstable regimes, but continuing clampdowns in the Soviet Union and South Africa belie that. Minority-ruled nations like Rhodesia and South Africa keep the black majority in check through rigorous imprisonment. One-party states, such as Spain, Libya, and Haiti, make punishment of oppositionists a staple of the governing system. When governments fall into the hands of the military, the officers, knowing little but orders and discipline, run their regimes by tribunals and decrees. The military tends to regard the democratic process as slow and inefficient. (One hopes that Portugal's April 26 takeover by avowedly pro-democratic military men will, over the long run, prove an exception to this rule.)

National patterns of political imprisonment differ, especially in regard to the jailer's role. Some repressive hands are bludgeons, while others work with a sophisticated cunning. Perforce, this survey touches on only a small number of the countries where political imprisonment flourishes. (Thanks to the

writings of Solzhenitsyn, the Soviet Union has been omitted as obvious.)

The story of any given prisoner is a tale of personal and family tragedy that would constitute a lengthy drama or documentary by itself. Multiply each case by at least one million, and the scope of the problem can be envisaged. Numerical estimates of prisoners are a constant problem. Often, prisoners are not tried, their families are not notified, and the prisoner is virtually buried alive. In other cases, in which trials are held, transcripts are not available. For example, in China the whole picture of political imprisonment, before, during, and after the Cultural Revolution, is virtually unknown to the outside world. The interested reader might, however, consult with profit the recently issued, widely noted *Prisoner of Mao*, by Bao Ruowang (Jean Pasqualini) and Rudolph Chelminski, a work described by the publisher as "an eyewitness account of China's Forced Labor Camp System, by one of its few survivors [Bao Ruowang]." A twelve-page excerpt from this book appeared in the August 28, 1973, issue of this magazine.

The situation of the political prisoners in post-Allende Chile, so recently in the headlines, also is not easy to determine exactly. The junta has admitted that 3500 deaths occurred during the 1973 overthrow of the pro-Marxist government. Hard figures are not easily come by, but the former Swedish ambassador to Chile has offered these startling figures: 10,000 to 15,000 killed; 30,000 children orphaned; . . . and 200,000 people who have lost their jobs for political reasons. Add to this some 8000 refugees, and we are talking less of a coup d'etat than of a holocaust!

Somewhat more is known, fortunately, about the outlook in that most youthful of the world's nations, Bangladesh. In 1972 the government issued a retroactive omnibus-powers decree aimed at citizens thought to have collaborated with the forces of West Pakistan during Bangladesh's 1971 war of independence. Between 40,000 and 50,000 persons were sentenced to jail under the decree; and though Sheikh Mujibur Rahman has declared amnesty for 30,000 of the prisoners, only 12,000 have so far been released.

Some hope glimmers also in Turkey, after a three-year military repression that may have detained a total of 15,000 political prisoners. There, a broad amnesty bill affecting 50,000 criminal and political prisoners has been debated for some time and may or may not be passed this year. These political maneuverings are, of course, cold comfort to political prisoners long since caught up in police dragnets and thrown into jail.

No glancing account of the political-police mind in action can convey in its full reach the terror and despair that such regimes inspire. The following sketches of life under seven representative police regimes may, however, prove indicative:

GREECE: THE GENERAL'S COUP

The assault on Greek democracy since the colonels' coup of 1967 has been widely publicized. As the cradle of Western democracy, Greece stands out boldly as a military dictatorship. The official American role in supporting Greek totalitarianism is a nagging doubt that repeated denials in Washington and Athens fail to quell.

Events have dashed whatever naive hopes existed last autumn that the Greek colonels, under George Papadopoulos, were moving slowly toward democracy. The colonels' coup was succeeded in November 1973 by the generals' coup. Free speech and free press are not tolerated in Greece today. The "amnesty" of August 1973 proved short-lived, with some prisoners released only to be re-imprisoned, along with new victims.

As a dread symbol of continued repression, the island concentration camp of Yaros in the Cyclades was re-opened last winter and now holds one hundred to two hundred political inmates. The barren, seven-mile-square island, on which a concrete military prison alternately bakes in the sun or is buffeted by the chill Aegean winds, was closed in 1969 after a Red Cross team had found conditions there intolerable. Yaros became so infamous after the 1967 coup, when 6,000 "politicals" were held on the island, that even military guards are reportedly reluctant to serve there.

The main rationale for renewed repression was the "uprising" of students at Athens Polytechnic College last November. However, it was clear, as tanks roamed the streets, that the students were unarmed. Officials say that thirteen demonstrators were killed, but opponents of the regime believe the number was greater. The Greek situation is one of clear-cut political repression, for the resistance to the Greek militarists has been almost totally ideological.

Systematic torture of Greek political prisoners has been well documented. During the brief 1973 thaw, an amnesty released 330 politicals. After the general's coup, the number of prisoners rose to at least two hundred, including twenty who were denied freedom last August. Many of those recently jailed have been students rounded up in November in Athens. A crackdown on Salonika students netted another twenty. In February, the Communists were the target, and thirty-five were jailed in one swoop. Now held on Yaros is George Mavros, the liberal leader, and a former aide of Papadopoulos, who now, out of power, may be struck by the irony of this outcome.

CZECHOSLOVAKIA: "NORMALIZATION"

It is not mere rhetoric to suggest that when the Warsaw Pact tanks rolled into Czechoslovakia in August 1968—putting a harsh end to the "Prague Spring," which had sought to give communism a human face—the country's entire population of 14 million became political prisoners.

Certainly, the "normalization" that has taken place since then has amounted to the systematic suppression of a vigorous national culture by means of rampant censorship, tight control, and punitive action. As many as 150 writers, sociologists, historians, and scientists have been directly affected. (At one point, eight Moravian actors were jailed for parodying a Soviet play.) But these intellectuals do not have to be jailed to be silenced. By being dropped from the Writers' Union or from university posts and by being reduced to menial work, these potential cultural leaders are as effectively neutered as if they had been jailed.

Gustáv Husák, who took over as Czech Communist party leader from Alexander Dubček, himself had served eight years in jail in the Fifties. Husák repeatedly said there would be no punitive trials of Dubček supporters. Nevertheless, nine political trials were held in Prague and Brno in 1972. Of forty-six persons sentenced for various crimes against the State, only fifteen received suspended sentences.

Amnesty International estimates that there may be three hundred political prisoners. Some émigré leaders, with understandable bias if not documentation, put the number at one thousand. Czech officials are not volunteering how many politicals are languishing in the prisons of Bory, Litomeriče, Ostrava Opava, Mirov, or Ruzyne. As one Czech told me recently, the only consolation is "whatever the figure, it is only about 10 percent of what it was in the Fifties."

The trials of 1972 were considerably more benign than those of the Fifties because of widespread nostalgia for the Dubcek period and disdain for continuing Soviet presence on Czech soil. The charges mostly concerned the illegal leaflet campaign during the elections of November 1971. The subversive leaflets encouraged people to exercise their constitutional right to strike names from the single list of candidates. Hard-liners wanted sentences of up to fifteen years but "moderation" prevailed, with several defendants getting six-and-one-half-year sentences.

A notable victim of the post-Dubcek repression was a non-Communist journalist, Vladimir Skutina, who was a well-known TV personality during the "Prague Spring." Skutina was arrested in 1969, and again in 1971, on charges of slandering Husák and attacking the Czech-Soviet alliance. Released in April, Skutina is critically ill with a pancreatic infection and a blood clot, and he has suffered a nervous breakdown. At one point he was hospitalized, and his weight dropped to 130 pounds. Skutina's wife was not allowed to see him for at least nine months during his illness.

BRAZIL: "ORDER AND PROGRESS"

The ten-year-old military government that seized power from the reformer João Goulart flies the banner of "Order and Progress" and amazes the world with its story of Brazil's "economic miracle." Order and progress have been achieved by Draconian methods. The benefits of the country's rapid development go to the few, while poverty proliferates. The repression, jailing, torture, and censorship spew blood and dishonor on whatever gains have been achieved for Brazil's 100 million people.

The last fixed estimate of political prisoners, in 1972, was 12,000, but currently it may be anywhere from 500 to 5000. Reuters estimates the number of victims killed by Brazil's notorious death squads at 1300. At least 210 political prisoners and suspects are known to have died in police custody, mostly under mysterious circumstances. The documentation of torture and censorship can only evoke memories of the Nazis.

The army has long played a crucial role in Brazilian history, helping to end slavery in 1888 and to depose Emperor Pedro II the following year. But the tight military control that began in 1964 and was further intensified in late 1968 is without parallel in the country's history. Countering the repression has been one major force, the Roman Catholic church, which is increasingly at odds with the regime, and a broad range of other oppositionists of varying political hues.

In a horrifying document, "Report on Allegations of Torture in Brazil," Amnesty International detailed the findings of a 1972 inquiry. Names of 1081 reported victims and their 472 torturers are listed. Eyewitness accounts are given. Details of physical, psychological, and electronic torture are stated. Brazilian authorities replied by banning from the press all Amnesty International statements on Brazil. (*Index* magazine, published by Writers and Scholars International, has also documented the staggering facts of censorship and press control in Brazil.)

Political prisoners in Brazil are mainly trade unionists, peasant leaders, university staff and students, journalists, progressive clergy, and politicians or military men who had supported the democratic regime, which was overthrown in 1964. It has been charged that the clergy, after radical students, have been the major target of oppression and torture. Priests have been expelled or refused re-entry after foreign trips. Others have been jailed. Some Catholic publications and radio stations have been closed down.

An inspirational symbol of church resistance to the regime is Dom Helder Camara, archbishop of Olinda and Recife, several times a Nobel Prize nominee. The Archibishop is not permitted to speak publicly, and the press cannot report his activities. An assistant of his was killed, apparently by rightest vigilantes, in 1969. Last year a number of lay workers associated with Dom Helder were jailed and tortured.

A few of Brazil's political prisoners:

Mañual de Conceicao, thirty-seven-year-old peasants' leader who opposed govern-

ment policies and was shot five times in the legs in 1968 before he was jailed. Released four days later, he had to have one leg amputated. During an army crackdown in 1969, he fled to the jungle but was captured in 1972, tortured at length (his fingernails were ripped out), and jailed for an unknown period. He has been hospitalized six times since 1972.

Vera Silva Araujo Magalhaes, a twenty-four-year-old Rio student, was arrested in 1970 for "distributing leaflets." She was subjected to brutal physical and psychological tortures, suspended helpless for seven hours, given electric shocks, beaten, and whipped. Her legs were left paralyzed. She was tried and released three months later and lives in exile.

Father François Jentel is a French-born priest who has been in Brazil twenty years, working in the Mato Grosso with Indians and peasants. He helped his village parish resist incursions of large landholders. When there was a shooting incident between his peasants and armed government men, Father Jentel, who was not involved, was held culpable on a dozen charges—including arming peasants and inciting them—which were palpably false. He is serving a ten-year sentence.

Last January Maria Nilde Mascellani, an educator and Catholic activist who had worked for Father Jentel's release, was arrested. A founder of vocational education in Brazil, Miss Mascellani was arrested one night, and her house and library were seized. She was released in mid-March.

INDONESIA: 55,000 "TAPOLS"

The dire human-rights situation in this archipelago is both chronic and tragic. Indonesia has a hard-core political-prisoner population of about 55,000. Few of these have been tried, and most of the jailings date back to detentions in the mid-Sixties.

In the autumn of 1965, an abortive left-wing army coup resulted in the assassination of six rightist generals. This led to a mass reign of terror against Communists, leftists, and suspected leftists that has been called "the most ruthless massacre since the days of Hitler." Estimates of the number killed run from three hundred thousand to five hundred thousand, and of those jailed, to a quarter of a million. In the aftermath of the coup that failed, twenty-six massive organizations and twenty-three educational institutions were smashed.

Who are the 55,000 Tapols (for *tahanan politik*—"political prisoners")? A Dutch Amnesty International leader, writing in that organization's coruscating "Indonesia Special" report a year ago, stated: "Officially, all are described as committed Marxists and prominent members of the Communist movement . . . but [many] are prisoners of accident or victims of circumstance. . . ." For most of the 55,000, there have been no lawyers, no habeas-corpus protection, and no defense, because no case has been made.

Torture of political prisoners has been used as a matter of "routine" and is admitted by the Indonesian Grand Commissioner of Police. Two years ago a letter written by 800 Tapols complianed that "we have been pushed into self-dug pits covered at the bottom with glass splinters. We have been given electric shocks, and cigarettes have been used to burn us. . . Some among us have been shot through the mouth. . . ."

Staggering to the imagination is one isolation colony for politicals, Buru Island, a hot, fetid, and malarial piece of land in what used to be known as the Spice Islands, some 2000 miles from Djakarta. Here, 10,000 Tapols languish, forced to raise their own food. Medicines and clothes are also few, loneliness is extreme, and the sense of isolation is pervading. There is talk of bringing in prisoners' families and thereby raising Buru's population to 50,000.

Stark as it is, Buru is only one of scores of resettlement areas, military prisons, labor camps, and interrogation centers throughout Indonesia.

The plight of three long-term Indonesian prisoners hints at the spectrum: Sugiyah was a thirteen-year-old schoolgirl when she happened to be found at the site where the generals were slain in 1965. An apolitical child, she has now spent more than one-third of her life in detention. Sitor Situmorang is a fifty-four-year-old writer who has been in Salemba Prison, Djakarta, since 1967. Charge: possessing writings "critical of the New Order." Siti Suratih, a nurse, forty-six, was arrested in 1966, presumably because her husband was a Communist. He has since died, but she was recently reclassified as a "dangerous" prisoner, apparently because the jailers want to keep her services as a nurse.

TANZANIA: THIRD-WORLD DILEMMAS

Africa may be flowering with emerging nations, but human rights lie parched in the hot glare of expediency, power struggles, and racism—white and black. Considering the inequities that allow white minorities to suppress black majorities in South Africa and Rhodesia, it may seem strange to focus on Tanzania, which is in many ways a model of judicious African self-rule.

President Julius Nyerere is, after all, a world statesman who has inspired his 14 million countrymen and others with his ideals of social justice. But even in his country, the existence of several hundred political detainees indicates the human-rights dilemmas of emerging nations born in revolution and hardened by the struggle for national idenity.

It must be made clear, however, that the locus of the problem here is not the large mainland mass that was Tanganyika, but rather the small islands that comprise Zanzibar, where only 350,000 live. Most victims are presumed to be opponents of the Afro-Shirazi party, which came to power by violent revolution in 1964. The Amnesty International torture report of 1973 states: "The torturers are the Zanzibari police and secret police, and some allegations have stated that they are trained by police from the German Democratic Republic." In dealing with Zanzibar since Tanzania was united with it in 1964, Nyerere has made errors that resulted in tragedies. In 1969, when he sent two former Zanzibar Cabinet ministers back from the mainland under the promise of good treatment, they were executed in Zanzibar.

Tanzanian political prisoners fall into several well-defined categories. A preventive Detention Act has, since 1962, been used to hold large numbers without trial. These included three from the revolution of 1964. Others are involved in mainland political squabbles, such as that of the Kambona family described below. Other prisoners include perhaps as many as 300 refugees from Mozambique, some of whom quit the Frelimo movement and are held in "preventive detention." Occasionally, there are arrests of Europeans or Asians suspected of spying or of economic crimes, which may border on political offenses. Two specimen cases:

Ali Muhsin Barwani was one of three former Zanzibar Cabinet ministers who fled to Tanzania in January 1964. Barwani and the two others had been detained for ten years without charge or trial. This fifty-five-year-old detainee hasn't seen his wife or six children since his arrest. In a 1971 communication with his Amnesty International adoption group in Norway, Barwani said his needs were: "Books, magazines, proteins, vitamins, and, above all, *freedom*." Barwani, the two other ex-ministers, and twenty-six additional detainees were released in late April.

The family of Oscar Kambona has suffered from the protracted enmity between the former Foreign Minister and President Nyerere. Kambona split with his leader in 1967 and went into voluntary exile. But many of his family and friends were jailed for treason. Some material witnesses for the trial were detained four years. Otini Kambona was a student leader, a national assemblyman, and a publisher who editorialized against detentions without trial. A month later, in December 1967, he himself was detained under the act. He and his brother Mattiya were released in February 1972 but were secretly re-detained in June 1972. Despite ill health, Otini Kambona had been held in a tiny cell in Ukonga Prison with three other prisoners. He is now in Butimba Prison in northern Tanzania.

SOUTH VIETNAM; CIVILIAN PRISONERS

Despite American withdrawal from the Vietnam war, the killing and suffering drag on. For ten years, TV and the press have dramatically documented the travail of Vietnamese civilians. Yet all too little is known of the widespread detention of civilians in South Vietnam for political reasons. The civilian prisoners are estimated to number upward of 100,000.

The Paris Ceasefire and Peace Agreement of January 1973 considered the civilian prisoner problem only cursorily. If anything, the focus on the military accords and the subsequent exchanges of prisoners of war have drawn attention away from the plight of the civilian detainees. In brief, thousands of men and women who supported neither warring side are still imprisoned, often under deplorable conditions and with widespread use of torture.

Civilian prisoners held by Saigon (The Government of the Republic of Vietnam) in forty main detention centers and 500 lesser places fall into four general categories: (1) members of the National Liberation Front "infrastructure"; (2) those suspected of involvement with the NLF at a low level, including peasants, traders, and children; (3) non-Communist opponents of Saigon, which includes some two hundred leading non-Communist students and more than one thousand Buddhists; (4) those convicted of common criminal offenses. Saigon's practice of reclassifying many political prisoners as criminals has made the top three groupings merge into the fourth.

Conditions at such main jails as Chi Hoa are abysmally bad, with lack of sanitation, overcrowding, and a diet of food that rots the skin and the teeth. The worst hellhole of all for civilians is the prison on Con Son Island, whose human "tiger cages" were denounced in 1970. After the attendant international outcry, the island commandant, Col. Nguyan Van Ve, was relieved but then re-appointed in 1973! The shackling of Con Son prisoners has left them deformed paralytics.

Documentary evidence of all forms of torture of civilian prisoners held by Saigon is among the grisliest in the world. The Phoenix Program for uprooting the NLF infrastructure in South Vietnam claims 20,000 dead. It makes no claim to the number that were tortured, but the well-known practice of forcing confessions in a helicopter after one suspect has been dropped overboard is typical. A common expression among South Vietnam police and jailers is: "If you are not a Vietcong, we will beat you until you admit you are; and if you admit you are, we will beat you until you no longer dare to be one." No amount of proof of the bestiality of the Vietcong and the North Vietnamese can counterbalance the savagery of America's South Vietnamese allies.

A celebrated civilian prisoner of Saigon is Huynh Tan Mam, a student leader who has been a courageous critic of South Vietnam. His latest arrest, in 1972, seems to stem directly from his opposition to American policy in Indochina. He has been brutally beaten, given injections, and is said to be disabled, with paralyzed legs. Mam and his supporters say that they are part of a third

political force, but Saigon insists he was a Communist. When the government tried to turn him over to the Vietcong in a prisoner exchange, Mam declined and remained in prison.

SPAIN: CHURCH VERSUS STATE

"Do you think Spain is still a Fascist country?" Peter Ustinov, the urbane writer-actor, says he is often asked that, and he replies: "Only in the winter, when the hotel rooms are empty." His mordant gibe reflects the fact that Franco's Spain is still the repressive state that the dictator set up in the Thirties during the civil war, at the cost of 1 million lives.

As reported in *Saturday Review World* [March 9, 1974], Spain remains a nation where all political parties but the National Movement of Franco are banned by law, a nation where independent labor unions are illegal and where the jailers silence free expression. The floating population of political prisoners may, at any given moment, be as many as 1000, with many more awaiting trial. The prisoners include Socialists, Communists, anarchists, Basque and Catalan nationalists, priests, lawyers, students, professors, and writers. More than two hundred conscientious objectors are in jail, including many Jehovah's Witnesses, but a new law seems to be improving the situation for this group.

In the wake of the assassination last December 20 of the premier, Adm. Luis Carrero Blanco, there has been a flurry of crackdowns on Basque nationalists and leftists. But even before this episode, policy brutality, censorship, torture, and general maltreatment of political prisoners have been endemic.

Perhaps the most fascinating development in Spain's benighted human-rights picture is the emergence of a split between the Roman Catholic church and the regime. The church was once a pillar of Franco's authoritarianism, but now there is a fresh wind of progressivism sweeping the clergy. One leading clerical figure is the outspoken Bishop of Bilbao, whose espousal of Basque individuality led to his house arrest. There are countless young "rebel" priests whose defense of labor and civil rights often outrages the right wing. A common practice is for Spanish secret police to join church congregations—and audiences and college classrooms—to spy on speakers. The list of priests fined and jailed for "offensive" sermons is growing daily.

A Spanish prisoner typical of the repressions of underground workers' leaders is fifty-seven-year-old Marcelino Camacho. Although he had already served five years for clandestine trade-union activity, he was tried again for the same offenses and sentenced in December 1973 to twenty years. With nine other alleged leaders of the illegal workers' commissions, Camacho is now held in Carabanchel Prison.

Narcisco Julian Sanz, who was released in October 1972, had spent twenty-five of his sixty years in jail. A railway worker who fought for the republic in the civil war, he was sentenced to death but won a commutation. In 1946 he was released under a partial amnesty. Seven years later he was re-arrested on charges relating to his political and trade-union activities as a Communist. At his first trial he got twenty-one years, and at his third trial, in 1956, another twenty years. Various general pardons led to his release, but not before he had suffered from spinal arthritis and ulcers.

Ramon Llorca Lopez was sentenced to thirty years in September 1972 for activities, including alleged bombings, on behalf of a Catalan separatist organization. To get his "confession," the authorities subjected him to continual beatings and death threats. The beatings left him unable to walk without the support of his guards. A prison doctor prescribed vitamins and sleeping pills for his condition.

COMMENTS

The reader may examine this survey of disgrace and well ask: What can I do? Many may assume that the Red Cross or the United Nations looks after the problem. The Red Cross, in most instances, is involved only with prisoners of war. The U.N. Human Rights Commission is tacitly the watchdog over individual liberties. But, as the *Guardian* recently pointed out, the watchdog "has never bitten anyone." Special interests and alliances make the thirty-two-nation U.N. commission virtually impotent.

There are, however, numbers of small national or regional action groups concerned with situations in a given country. Religious and secular human-rights organizations abound. The International Commission of Jurists in Geneva involves members of the legal profession seeking justice in this area. Writers and Scholars International, 35 Bow Street, London, W.C. 2, focuses on freedom of expression and fights repression of writers and their work.

Perhaps the most welcoming center for anyone interested in alleviating the plight of prisoners and their families is Amnesty International, 53 Theobald's Road, London, W.C.1. (Amnesty's U.S. National Section is at Room 64, 200 West 72nd Street, New York, New York 10023.) Amnesty has 32,000 members in sixty-two countries and states: "There are far more prisoners of conscience in the world than there are Amnesty members. Our initial target is to reverse that proportion." A special acknowledgement for much of the material in this survey is extended to Amnesty, whose research department, vigilant and brilliant, keeps close watch on political prisoners around the world.

## MISS JENNIFER JANE KNOX AND THE UNITED STATES OF AMERICA

Mr. HANSEN. Mr. President, I had the good fortune to have brought to my attention some words of wisdom made by a grandfather on the occasion of the birth of his granddaughter.

This grandfather is our distinguished colleague from North Carolina (Mr. HELMS). And his new delight, and the delight of the entire family, is Miss Jennifer Jane Knox.

As all of us who are grandfathers must, we temper our joy at the new birth with concern for what the future holds for that generation, and what steps those currently in positions of the Nation's leadership can take to preserve freedoms or to restore those which have sustained erosion. The Senator from North Carolina is no exception.

He asks:

Will she ever know the glory and challenge of living in a free enterprise society? Or will the growing burden of Federal controls encompass her life.

Mr. President, the distinguished Senator expresses the hope Jennifer's generation will do more to preserve the Nation's freedoms than we granddaddies have been able to do. He provides a formula for them, which, in my opinion, is solid:

It'll take work and sacrifice, and courage and integrity—and faith in God.

I ask unanimous consent that this "Report from U.S. Senator Jesse Helms" be printed in the RECORD.

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

REPORT FROM U.S. SENATOR JESSE HELMS

WASHINGTON.—Her name is Jennifer Jane Knox, and she is a mere wisp of a lady with wobbly eyes and a constantly quizzical expression of her face. There is already whispered gossip that she has a mystical control over the several men in her life.

She never participates in conversations around her beyond a few ladylike murmurs. She is woefully uninformed about current events. She never heard of Watergate, inflation doesn't bother her in the slightest, she never wears shoes—yet men, and women, too, find her charming, and in a fragile sense, stylish.

Especially her Granddaddy.

Jenny—When Jenny was born a few weeks ago, this Granddaddy first saw her beyond the thick glass window of the hospital nursery. There were at least two dozen babies—half of them screaming and the other half sleeping—as doting parents and grandparents each focus rapt attention upon the one special, squirming little smidgen of humanity of their own.

Grandfathers have the well-earned reputation of being crashing bores. They contrive to introduce the wonders of grandfatherhood into every possible conversation. I plead guilty to being no exception. But grandfathers unite, I suppose, in wondering what the coming decades will be like for the little ones now wrapped in blue or pink.

For my part, I wonder about the freedoms that Miss Jenny will enjoy—or be denied. Will she ever know the glory and challenge of living in a free enterprise society? Or will the growing burden of Federal controls encompass her life?

Different—Every generation is different, particularly in its sense of values. If one could board a jet plane, and race backwards in time, the Jennys and Johnnys born in America in the 1920's and 1930's could reasonably expect to rise or fall, succeed or fail, according to their own incentive and effort. They could reasonably expect that they would not be restrained or penalized, except when they invaded the lawful rights of others.

But the newborn Jennys and Johnnys of 1974 confront a world of strife, and a deluge of government edicts and restrictions. Their earnings in the years ahead will be heavily taxed to support governmental programs that yet mystify and confound their granddaddies. Inflation will burn into their economic security. But the foremost question that this year's newborns will have to face is basic to freedom itself: Can America survive in stability? Will America survive as a citadel of freedom?

Granddaddies think gloomy thoughts, perhaps. But not really. In essence, it is the same as it has always been for granddaddies—they pray for the best possible world for those very special little ones with the wobbly eyes and the quizzical expressions.

The truth is—and granddaddies are reluctant to admit it—it's up to Jenny and Johnny to decide what kind of country they will have. Granddaddy has to hope that Jenny's generation will do more to preserve freedom than Grandaddy's generation has done. It'll take work and sacrifice, and courage and integrity—and faith in God. But, then, that's all that has ever been necessary.

## RETIREMENT OF CLAUDE T. COFFMAN, DEPUTY GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. TALMADGE. Mr. President, tomorrow afternoon a reception will be

held at the Department of Agriculture in honor of Claude T. Coffman, Deputy General Counsel of the Department of Agriculture.

Mr. Coffman, a distinguished lawyer, is retiring after almost 35 years of Federal service, and I think it is appropriate that the Senate take note of his accomplishments.

Mr. Coffman is a skilled legislative draftsman, and his services to the Committee on Agriculture and Forestry and the Senate have been extremely valuable.

During congressional consideration of major legislative proposals over the past 20 years, Mr. Coffman has worked closely with the committee and its staff in drafting provisions on complex and controversial issues. For example, Mr. Coffman provided expert assistance to the committee in the drafting of a number of the provisions of the Agriculture and Consumer Protection Act of 1973. He also played a large role in the drafting of the Agricultural Act of 1970 and the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480).

Mr. Coffman has served as Deputy General Counsel of the Department of Agriculture since 1968. His accomplishments as a lawyer in that Department encompass a wide variety of activities. He is a recognized authority on Federal statutes relating to agriculture. As Deputy General Counsel, he is one of the chief legal advisers to the Secretary of Agriculture and his staff on all phases of the programs of the Department.

Mr. Coffman's character and personality inspire respect and affection among his colleagues in the Department. In 1970, he received the Superior Service Award of the Department of Agriculture "For outstanding legal services, exemplified by consistent sound judgment, unusual proficiency, and leadership in effecting numerous agricultural programs and in the development of important legislation relating to the agricultural economy."

Mr. Coffman was born in Robinsonville, Miss., and received his A.B. and his LL.B degrees from the University of Mississippi. He was editor in chief of the Mississippi Law Journal and graduated first in his class at law school. He took postgraduate work at Harvard Law School.

Among Mr. Coffman's publications are two articles which appeared in the Federal Bar Journal: "Legal Status of Government Corporations," 7 Fed. Bar. J. 389, and "Federal Aid in the Development of Agriculture," 21 Fed. Bar J. 399. Mr. Coffman recently published an article in the North Dakota Law Review entitled "Target Prices, Deficiency Payments, and the Agriculture and Consumer Protection Act of 1973," 50 N.D. Law Review 299.

Mr. President, Mr. Coffman's career of service to the Nation and the Department of Agriculture has truly been outstanding. Fortunately, his retirement does not mark the end of his service.

In September, Mr. Coffman will assume new duties as professor of law at Memphis State University. Mr. Coffman is uniquely qualified to teach law and should prove to be an outstanding teacher.

Mr. President, I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks the letter I wrote Mr. Coffman on behalf of the Committee on Agriculture and Forestry.

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

JUNE 24, 1974.

MR. CLAUDE T. COFFMAN,
*Deputy General Counsel,*
*U.S. Department of Agriculture,*
*Washington, D.C.*

DEAR MR. COFFMAN: On the occasion of your retirement as Deputy Counsel of the Department of Agriculture, I should like to extend you best wishes on behalf of the Committee on Agriculture and Forestry.

You have had a career of distinguished service to the Department and the Nation. In particular, we are appreciative of the many services you have rendered the Committee on Agriculture and Forestry and other members of the Senate. Your counsel and legislative drafting skills have been of the highest calibre, and we shall miss them.

We also wish you success in your new work as Professor of Law at Memphis State University.

With every good wish, I am,
Sincerely,

HERMAN E. TALMADGE,
*Chairman.*

## COMPREHENSIVE TEST BAN TREATY AND PRESIDENT NIXON'S TRIP TO MOSCOW

Mr. BROOKE. Mr. President, a few days hence President Nixon and Secretary Kissinger will arrive in Moscow for wide-ranging negotiations with Soviet leaders. The outcome of these discussions will be an important indicator of the viability of our Soviet policy and of the exact nature of the rapprochement in Russian-American relations.

There have been indications that one item on the agenda at Moscow will be underground nuclear testing. A few months ago, the Foreign Relations Committee favorably reported a resolution introduced by Senator KENNEDY and calling for the President to propose a draft treaty banning all nuclear tests. The resolution is broadly supported in this body; it complements earlier pledges made by our Government to achieve such a comprehensive test ban—pledges made in the Treaty on Nuclear Nonproliferation.

Early last month, Secretary Kissinger and Soviet Foreign Minister Gromyko issued a joint communique at Geneva which raised the possibility of a so-called threshold underground nuclear test ban treaty. If achieved, such a treaty would prohibit nuclear tests above a certain size of explosive device.

The concept of a threshold ban on underground nuclear testing represents an important first step toward reducing the development and potentially, the spread of nuclear weapons. If it is to accomplish these desirable purposes, however, the treaty must be tightly and carefully drawn. To begin with, it should contain provisions looking toward a full ban on underground tests. This can be done in several ways, either by a decreasing quota on the number of tests a signatory may conduct or by a decreasing threshold on the size of the device exploded or by a combination of these two limits.

There is considerable urgency in the matter of ending all nuclear tests. It has been over a decade since the limited test ban treaty was concluded and nearly 5 years since the conclusion of the nonproliferation treaty. With India now nearly a member of the nuclear club and with the new tests underway by the Peoples Republic of China and France, it would be unwise to defer very much longer the conclusion of an international agreement to prohibit all nuclear tests.

More accessions to the "nuclear club" will greatly complicate the problem of negotiating a satisfactory comprehensive test ban. A treaty concluded now will not only put pressure on current members of the nuclear club to halt all tests, it will provide strong disincentives to nations which may be contemplating the development of nuclear weapons.

It is imperative, therefore, that any nuclear testing agreement concluded at Moscow contain phase-down provisions designed to reduce either the number or size of tests permitted under the treaty to zero over a relatively short period of time. Zero-level testing can realistically be achieved in 3 years or less, permitting us to complete projects now in the research and development pipeline and to reorient our AEC laboratories to energy R. & D.

Concern has been expressed over whether the United States might incur unacceptable risks in entering into a full ban on nuclear testing. My own view is that these potential risks have been greatly exaggerated and that, compared to the risks involved in further testing by a greater number of powers, the risks in a comprehensive ban are minimal indeed. For instance, American nuclear technology has no equal and we have conducted over 255 underground tests since 1963, while the Soviet Union has completed about 100 tests. So a comprehensive ban will likely leave us in a superior technological position.

Moreover, such a treaty would commit us to nothing which the Soviet Union is not reciprocally pledged to do—or not to do. Naturally, abrogation of the treaty by one party would leave other signatories free to protect their security interests as they see fit. Therefore, entering into such a treaty would in no way jeopardize our vital national defense.

Yet I think prudence dictates that we write into any treaty on underground testing an ironclad review provision, requiring a general reassessment of the treaty's provisions and operation at intervals of 2 years or so. A similar provision is contained in the nonproliferation treaty and the first review conference is scheduled for next February. At that time, the issue of Soviet-American progress toward a comprehensive testing ban will surely arise. If, by then, we have not accomplished a comprehensive underground test ban or at least a partial ban containing decreasing quotas or thresholds; the delays and our apparent dilatory attitude may encourage nations

which have so far foregone nuclear weapons tests to embark on development programs of their own.

Practically speaking, there is another very strong reason for moving toward a comprehensive ban on underground tests as quickly as possible. National means of surveillance have progressed to a point where we can detect cheating on a total test ban with a very high degree of confidence. Under a threshold ban, however, this confidence is considerably reduced, since seismic and satellite devices cannot discriminate between different sizes of nuclear explosives as accurately as we would like. This condition introduces certain incentives for cheating which would not exist under a ban on testing altogether. If we cannot achieve a full prohibition on underground tests this summer, then we should minimize the risk of undetected cheating on a threshold test ban by incorporating language which will reduce to zero the number or size of tests as rapidly as possible.

If the Moscow Summit results in an underground test ban having the characteristics I have suggested here, one more step will have been taken by the United States and the Soviet Union to fulfill their obligation to reduce the dangers of our nuclear world. It is this goal that should be dominant in our approach to this issue.

## LABOR DEPARTMENT PRACTICES FOR LOAN APPROVALS

Mr. DOMINICK. Mr. President, I share some of the concerns expressed by my colleagues, Senators HANSEN and TOWER, concerning Labor Department practices for loan approvals and its use of commentary provided by private organizations. When I learned from Senator HANSEN of the practice by the Labor Department of giving notice to the AFL–CIO of Farmers' Home loan applications, I was concerned, because of the apparent role this private organization may have in the governmental decisionmaking process on use of public moneys. As a consequence, I recently made an inquiry to the Labor Department and I ask unanimous consent that my letter to Secretary Brennen be printed at the end of these remarks.

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

(See exhibit 1.)

Mr. DOMINICK. Mr. President, in recent months we have heard much about the need for a more open decisionmaking process at all levels of the Federal Government, a process not pervaded by secrecy and undue influence. I believe that practices such as the Department of Labor's solicitation of private commentary on loan applications, a practice which to my knowledge was not widely known and which I note was discovered only by accident, I believe gives to the public the impression "secret dealings." Therefore, I would hope that this type of practice and any others by which a Federal agency solicits private commentary on the dealings between the Government and individuals, commentary which to my knowledge is not made public, will cease.

I hope that we are able to develop information regarding such practices and to understand more clearly exactly who it is that is making the decisions, the governmental agency or a private organization, whether it be a union or some other nongovernmental entity. I believe that the public interest demands that such decisions involving governmental funding be free of any implications of unwarranted influence. Certainly when one of my constituents applies for a Farmers' Home Administration loan or for any other type of loan, I believe he has the right to know the individuals who will make comments on such applications and the role such comments play on any decisions made.

I would hope that all my colleagues would want these same principles enforced for their own constituents, and I will continue to support efforts to bring such practices out into the open.

EXHIBIT 1

JUNE 18, 1974.

Hon. PETER J. BRENNAN,
*Secretary of the Department of Labor, Washington, D.C.*

DEAR MR. SECRETARY: I have learned from the office of the Honorable Clifford P. Hansen, U.S. Senator from Wyoming, of a procedure used by the Department of Labor through which participation by the AFL–CIO is utilized in reviewing loan applications under the Consolidated Farm and Rural Development Act of 1972. As I understand the procedure, loans being considered by the Department of Agriculture are forwarded to you for determination of the effects on competitive business enterprises in the area where the loan applicant proposes to locate. Your Department, in turn, provides the AFL–CIO each week a listing of new loan applications received, specific products involved, and the location of the establishment. In this weekly listing, the union is advised that it has two weeks in which to comment on any of the establishments on the listings or their concurrence will be assumed.

This is of concern to me for there is an implication that the AFL–CIO, a non-governmental entity, in fact plays a decisive role in the governmental decision-making process relating to the funding for a private entrepreneur. I am therefore requesting of your Department the following information:

1. Whether or not any application(s) from any Colorado resident was included in this procedure.

2. If there were one or more Colorado applications included in this procedure, whether or not adverse comments on the application were received, and whether or not the application was subsequently denied.

3. Whether any other non-governmental organizations are contacted for such comments. If so, the identities of such non-governmental organizations and any roles they have played with respect to any Colorado applications.

In addition, I would appreciate it if you would advise whether or not there are any other programs using similar non-governmental comment in the decision-making process by which an individual may be denied public monies for grants, contracts and/or loans.

Best regards.

Sincerely,

PETER H. DOMINICK,
*U.S. Senator.*

## THE GENOCIDE CONVENTION

Mr. PROXMIRE. Mr. President, there are those who oppose ratification of the Genocide Convention on the grounds that it would be using the treaty power of the Senate to enact substantive legislation.

I appreciate this concern, Mr. President. The power to legislate is, of course, reserved for the point action of both Houses of Congress. However, this convention will not be a self-executing treaty since, after ratification, it must be given effect by subsequent implementing legislation. Thus Senate ratification of the treaty would not make genocide a criminal offense in the United States. Both Houses must act to amend the Criminal Code before genocide would technically be a crime. Therefore, prosecution of any American citizen for alleged genocide would still be subject to the full array of procedural and substantive safeguards provided for in the Constitution and applicable judicial codes.

Mr. President, genocide is among the most despicable of all human acts. Senate ratification of the treaty will be the first and most important step in condemning such acts. I urge the Senate to ratify the Genocide Convention.

## THE METRIC CONVERSION BILL

Mr. HASKELL. Mr. President, as we all know, on May 7, the House defeated the metric conversion bill. Many of us believe a worldwide metric conversion would be desirable, but are in a quandary as to the best way of achieving this goal. I recently received a thought-provoking letter from a professor of physics at the University of Colorado on this controversial issue which I would like to share with my distinguished colleagues in the Senate. I ask unanimous consent that Dr. David F. Bartlett's letter be printed in the RECORD at the conclusion of my remarks.

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

BOULDER, COLO.,
*June 1, 1974.*

DEAR SENATOR: As a scientist, I was most interested in the recent House debate on metric conversion. I am in complete agreement with the cautious approach reflected in the rejection of the Committee bill.

Several representatives referred to scientists as a group already committed to the metric system. I beg to differ. Although we use the metric system professionally, we are not necessarily committed to its preservation—any more than engineers who use the customary system are committed to it. In fact, our very familiarity has bred a certain contempt. In particular, many scientists have major reservations about some features of the International System of Units (SI). (Conversion to this variant of the metric system is specified in the proposed legislation). Thus we also will have to alter our habits if the SI system becomes worldwide. Lewis Branscomb acknowledged this problem in an address he gave while Director of the Bureau of Standards:

"Whether scientists like to speak SI or not, they will find that increasingly the industrial equipment they use will be displaying output in SI units.

"In view of the fact that for scientific usage, SI is entirely voluntary—at least in this country—a surprising amount of emotional energy has been invested in its development."

You can see that the National Bureau of Standards is even-handed. Scientists as well as everyone else will be affected by the "inevitable" swing to SI, although the conversion, of course, will be "voluntary"!

A growing number of us, however, are dissenting from this fatalistic view. We believe that if the world is to adopt a single system of measurement, then this system should be the best we can do. In view of the recent progress of mankind, it is most unlikely that either the 200 year old metric system or the 2000 year old customary one is the best we could devise today. Rather a compromise system combining the convenience of the customary system with the computational advantages of the metric should be superior to either. Attempts at constructing such a system have recently appeared both here and in England.

Ironically, the worldwide adoption of a "third", compromise system might ultimately offer significant benefits to the very group that is now most strongly pro-metric, namely the large, multinational companies. Then both U.S. and metric-based industries could cooperate in developing optimal international standards without offense to national pride and practices. This point is made in the enclosed article, "Is the Metric System the Best We Can Do?"

There is an aura of fatalism surrounding metric conversion. As you well know, the Metric Study concluded that our only options are to convert with a plan or drift slowly metric without plan. Unfortunately, this fatalism seems to have dulled the spirit of critical inquiry. Scentists who believe that the metric system is not the best we can do are reluctant to come forward because they feel that the decision has already been made in the best interest of commerce. Hearing no loud dissent from scientists, congressmen who appreciate the difficulties in conversion are consoled by the belief that both standardization and a better system will be achieved when the conversion is over.

Where do we go from here? The notion that a "third System" might be the solution to the units problem needs further study. The Congress could authorize such a study. At this time, delaying passage of a conversion bill is a positive step. On any matter as fundamental and permanent as metric conversion, Congress should wait "until the American people fairly beat down the doors of Congress" demanding action.

Sincerely yours,

DAVID F. BARTLETT.

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## INSURING THE NATIONAL HEALTH

Mr. BIDEN. Mr. President, there is a growing awareness of a crisis in health care in this country, and several proposals for comprehensive health insurance are presently before the Congress.

It is important that Congress speed up its consideration of a national health insurance plan. Whatever approach we decide on, our primary responsibility is to respond to the growing feeling that adequate health care is not a privilege but a right, and that the lower- and middle-income citizen must be protected against the astronomical cost of today's health care.

In this regard, I would like to share with my colleagues a very informative article. "Insuring the National Health," which appeared in Newsweek on June 3, 1974, and which details both the crisis in health care and the specifics of the various proposals now before the Congress.

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

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

### INSURING THE NATIONAL HEALTH

For weeks now, Congress has been holding hearings on a hopper full of bills, each offering a different set of proposals designed to help the citizenry pay its ever-soaring doctor and hospital bills. And by last week the day seemed finally in sight, somewhere not too far over the present murky political horizon, when a national health-insurance program for most Americans will become a reality.

In Key Biscayne, President Nixon went on the radio early in the week to note with some emphasis that he was prepared to be flexible in accepting modifications of the Administration's own health-insurance program. "We are not ruling out compromise where compromise does not violate the basic principles of our proposals," he said. Later in the week, Sen. Edward M. Kennedy, coauthor (with House Ways and Means chairman Wilbur Mills) of a more liberal insurance program, went on the radio himself to reply in kind. There are now, Kennedy said, "broad areas of agreement" between the Administration and Congress on national health insurance. "A new spirit of compromise is in the air," he continued, "[and it is possible that] a far-reaching bill can be sent to the President before Congress adjourns this fall."

### CONSENSUS

Whether any such timetable is realistic remains to be seen, for both Congress and the White House are clearly so involved with the possibility of the impeachment of the President that much ordinary legislative work has fallen into abeyance, and a national health-insurance program for this year could well find itself among the casualties. But the fact remains that such a program at last seems an idea whose time has come—and that many of those who have most bitterly opposed the idea in the past seem prepared to go along with some version of the two major proposals now under discussion.

This consensus stems straightforwardly from the overwhelming evidence that health care in the U.S. is in a state of ever-worsening crisis. The U.S. spends more on medical costs than any other nation in the world. This year alone, the total national health bill will reach $100 billion—about 8 percent of the gross national product of the entire nation.

### LOW RANK

But what are Americans getting for this enormous cost? For all the nation's prowess in the development of sophisticated techniques to detect and treat disease, the U.S. ranks below twenty countries—including Greece, Bulgaria and Italy—in life expectancy for males. Women in seven nations live longer than their counterparts in America. More important, the U.S. ranks fourteenth in infant mortality.

To health experts, the crisis has many complex facets, all the result of the haphazard way in which the delivery of medical care has developed.

The distribution of the nation's 300,000 active physicians is dangerously uneven. There is one physician for every 50 residents of affluent Beverly Hills, but only one for every 2,000 occupants of Watts and other urban ghettos. There are 138 counties in the U.S. without a single doctor, and 200 others with only one. For millions of Americans, particularly the poor, the family doctor is the physician who happens to be on duty in the nearest emergency room.

As the technology of medicine has become more specialized and complex, hospitals have inevitably become the hub around which the most and the best medical care is administered. Yet hospitals are wastefully and inefficiently used. "Patients who could be treated in the offices of physicians," says one HEW report, "are found, instead, occupying hospital beds."

It's no surprise, then, that to most Americans, the most visible side of the crisis is the escalating cost of health care. Expenditures for medical care have nearly quadrupled since 1960, and HEW experts predict that they will reach $132 billion by 1976. Physicians' fees have risen by almost two-thirds during this period, while the average cost of a day in the hospital has gone from $35 to $105. The typical victim of a heart attack faces bills of up to $4,500 for three weeks of hospitalization and $500 to $1,000 additional for his doctor. For gall-bladder surgery, the hospital bill may range up to $3,200 and the surgeon's fee $500 or more. The care of a patient with terminal cancer averages $20,000 a year.

### GAP

Eight out of ten Americans under 65 have some form of health insurance, such as Blue Cross for hospitalization and Blue Shield for doctor bills. But most insurance plans pay benefits only for treating illness, not for preventive services, checkups and visits to the doctor's office. This gap, obviously, is an incentive to unnecessary hospitalization and contributes to rising costs. Less than half the population, moreover, is protected by "major medical" policies to cover catastrophic illness, and even these often fall far short of paying the bills.

The Medicaid program has a spotty record of serving the poor, split as it is into separate state programs, each with its own regulations and benefits. As a result, only about a third of low-income families in the U.S. receive adequate coverage.

The most sweeping proposal to remedy the national health-care dilemma was the bill introduced in 1971 by Senator Kennedy and Rep. Martha W. Griffiths. Called the Health Security Act and backed by organized labor, it would have covered virtually all medical costs, including office visits, as well as dental care for children under 15 and a wide range of other health services. The cost, estimated at $60 billion a year, would be paid through a social-security-style payroll tax and Federal subsidies.

### REMOTE

Not surprisingly the strong Federal controls in the Kennedy-Griffiths plan proved too strong a dose for either organized medicine or the Nixon Administration. Instead, the Administration has long favored federally assisted medical insurance using the private health-insurance industry. So long as the two major proposals represented diametrically opposed approaches to health care, the chance that any type of program would be passed in the near future seemed remote. But the picture changed dramatically last April, when Kennedy joined House Ways and Means Committee chairman Wilbur Mills in formulating a new health bill similar in many ways to the Administration's own. "In my entire lifetime," says Harry J. Becker, professor of community health at New York's Albert Einstein College of Medicine, "I haven't seen such a converging of strategy, policy and positions in the health-care issue."

The present Administration bill would provide unlimited coverage for hospital and doctor bills as well as prescription drugs. Certain preventive services would also be taken care of including family planning, prenatal and maternity care, regular children's ex-

aminations until the age of 6, and dental care, eyeglasses and hearing aids for children to age 13. Nursing-home care as well as psychiatric hospitalization would also be covered up to an annual maximum.

Private insurance companies would write the medical policies under Federal guidelines. For wage earners, employers would pay 75 per cent of premiums (with some assistance from government subsidies) and employees the balance.* Under a separate program, the states would contract with private insurance companies to provide coverage to the unemployed, low-income families, and high-risk individuals and groups. The elderly on Medicare would receive the same benefits through the social-security system. The total annual cost of the program would be about $37 billion.

To support the Nixon plan, the average wage earner would pay about $240 a year in premiums and Medicare taxes. Each family member up to a maximum of three would have to pay the first $150 in medical expenses, a "deductible" similar to the provisions of current private major medical policies. There would also be a $50 deductible per person for medicines. Beyond that, the family would pay 25 per cent of its medical bills until total payments by the family reached $1,500. Thereafter, the plan would cover virtually all further costs. To receive full reimbursement, in other words, a family would have to incur nearly $5,000 in medical expenses. The premiums and out-of-pocket costs would be scaled down, however, for low-income families and the elderly. The state would individually determine doctors' fees and other rates for care under Federal guidelines.

SCOPE

As for the new Mills-Kennedy proposal, it is similar to the Nixon plan in the scope of its benefits. But under Mills-Kennedy, the annual $150 deductible would apply to only two, rather than three, family members—and no family would pay more than $1,000 out of pocket. No deductible would be levied against preventive care, such as infant checkups.

The chief differences between the two proposals are (1) that participation in the Administration program is voluntary, while the Mills-Kennedy plan is compulsory and (2) that the Nixon plan provides a much greater role for private insurance companies. Mills-Kennedy would be financed by a payroll tax of 4 per cent on earnings up to $20,000, with employers paying three-quarters of the total. Private insurance companies, as under medicare, would collect and dispense the funds, rather than sell the policies as they would under the Administration plan. Private insurers, however, might offer supplementary insurance to cover deductibles and out-of-pocket expenses.

EXPENSES

A third health proposal, sponsored by Senators Russell Long of Louisiana, Abraham Ribicoff of Connecticut and Rep. Joe Waggonner Jr. of Louisiana, would offer "catastrophic illness" insurance. Benefits would begin only when a patient had incurred $2,000 in expenses, or been hospitalized for 60 days. After that, the patient would pay 20 per cent of doctor bills and $21 a day for hospitalization up to $1,000, whereupon the program would take over.

The major defects in all three of the leading bills, as economists see it, lies in the deductible provisions and out-of-pocket cost. They tend to hit the middle-income wage earner particularly hard and tend to discourage going to a doctor when an illness may be in its early, most treatable stage.

In the short run, the debate over compulsoriness and the relative roles of private insurers and the Federal government will end in a compromise, most health experts think. But many authorities are persuaded that a broad, federally controlled health-care system will evolve in time, as has happened in Britain and much of Europe. "Once the government has put its foot in the door," says Dr. Osler Peterson of Harvard, "the rest of the body will come through."

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## LET US RENEW THE WAR ON CANCER

Mr. HUMPHREY. Mr. President, I take this opportunity to commend the American Cancer Society. This organization pours millions of dollars and millions of man-hours into the problem of finding a solution to the dread disease, cancer. The society's efforts to educate the American public about the prevention and control of cancer should also be applauded.

Only through cooperation of Congress and organizations like the American Cancer Society can we make progress in this top priority medical research area. Millions of volunteer hours have been spent by the ACS toward the end of preventing cancer, and it is only fair that this administration reciprocate by keeping its promise of sufficient funding for cancer research.

On June 17, in Minneapolis, I had the distinct privilege to address the annual meeting of the National Public Education Conference of the American Cancer Society.

Mr. President, I ask unanimous consent that my remarks to the conference be printed in the RECORD.

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

REMARKS BY SENATOR HUBERT H. HUMPHREY

I am pleased to welcome you to Minnesota and to the Twin Cities. I understand that this National Public Education Conference of the American Cancer Society has delegates represented from all of the fifty states.

I want to greet all of you and congratulate you on your work to educate the American public about the detection and prevention of cancer. Organizations like yours deserve to be honored for the hard, dedicated, and vitally important tasks you are performing.

We have a tendency to forget the role played by volunteers like you in our society. The millions of volunteers and the private, nonprofit institutions serving the public good all too often are taken for granted.

The work you do is absolutely necessary to the health and well-being of America. You have a deep sense of caring what happens to people around you.

The amount of money raised by the American Cancer Society is impressive, but the educational work that you are doing is just as important.

Americans too often think of the value of the American Cancer Society in terms of the amount of funds raised each year for research. But we also must look at your voluntary effort as a genuine, down-to-earth demonstration of brotherhood, expressed in the millions of volunteer manhours you spend attempting to educate the American public about the detection and control of cancer.

This type of voluntary effort has a profound influence on the moral fiber of America. It also has a direct impact upon the prevention of cancer.

Cooperation between programs of the Federal Government and the American Cancer Society has and will continue to do much toward producing advances through research, as well as bringing research findings to each community.

All of us hope and pray that somehow we can learn to prevent cancer and to help alleviate the pain and suffering of millions of people who are victims of this disease. You are out there on the firing line spreading the necessary message of early detection and basic health care habits. Thank you for your fantastic effort.

I would like to take this opportunity to discuss with you actions taken by Congress to help you reach your goal of controlling cancer.

As you know, the problems of cancer are multiplied by the fact that more than 100 clinically distinct types of cancer have been identified—each with a unique set of symptoms and requiring a specific course of therapy. We have learned a great deal about some of these types of cancer—about their cause, detection, diagnosis and prevention.

We also know more about the treatment and rehabilitation of cancer victims today. This progress is directly related to your efforts and those of the American Cancer Society.

For the first time, researchers this year have been able to grow human sarcoma viral particles in test tubes. This is the first fundamental step toward designing an entirely new medical approach to cancer therapy.

In a half-dozen laboratories this year, experiments have produced new understandings of how viruses change normal cells as cancer develops. This basic research will be a part of whatever cures the future produces.

These research findings come at a time when funds for basic research at the National Institutes of Health have been restricted by the Administration. Nevertheless, this research will help all of the institutes in NIH to understand one of the fundamental processes of life.

Today half of the children with acute lymphocytic leukemia are alive five years after the disease was detected. Twenty years ago this disease took the lives of these young victims within a few months.

Today radiotherapy for Hodgkin's disease, detected at an early stage, produces five-year survival rates of more than 90 percent.

Today deaths from cancer of the uterus continue to decline steadily. They occur at one-third the rate of 35 years ago.

Recently new malignancy detection machinery supported by grants from the National Cancer Institute and the American Cancer Society was distributed to twenty-seven medical centers in the United States.

This venture will make your job easier. It will make free breast cancer screening examinations possible for interested, symptom-free women.

Your education program in the proper early screening and breast examination at home is very important. If breast cancer were detected early enough it could probably save eighty-five out of every 100 patients.

Some 90,000 women will get breast cancer this year.

One out of every 15 newborn girls is destined to develop breast cancer. With those statistics your work to help people detect cancer early is an absolute necessity.

Although improvements in cure rates are gratifying, and similarly important advances have been made in the area of screening and early detection methods, I would like to see the day our achievements are not measured in terms of increasing a person's life by five years or so, but in helping him to be able to prevent the onset of cancer altogether.

Congress has worked hard for many years to give legislative effect to the nation's profound desire to work toward the conquest of

* During the first three years of the plan, employers would be required to pay only 65 percent of the premiums and employees 35 percent.

cancer. Almost forty years ago, the 75th Congress passed the National Cancer Institute Act in order "to provide for, foster, and aid in coordinating research relating to cancer and to establish the National Cancer Institute."

Since that time, the National Cancer Institute has been the primary agency through which the Federal government has supported cancer research. Although the basic goal set for the NCI has not changed, the Institute has grown and developed a great deal since its creation. Its budgetary authorization, for example, has grown from $700,000 in 1937 to $640 million this fiscal year.

The NCI gained new responsibility with the passage of the National Cancer Act of 1971. This Act calls for the development of the National Cancer Program Plan.

As you probably know, this plan is intended to present the major goals and objectives of the national cancer program, the plans for implementation, and an estimate of the resources that will be needed to achieve these national objectives. The plan was written by the National Cancer Institute with the advice and guidance of the National Advisory Cancer Council and two hundred and fifty laboratory and clinical scientists, representing a broad spectrum of biomedical and clinical disciplines and geographic areas.

The major goal of the National Cancer Program strategy is to "develop the means to reduce the incidence of morbidity and mortality of cancer in humans." Again, the American Cancer Society has played a central role in the development of the National Cancer Plan.

With the passage of this Act in 1971, Congress authorized the establishment of new research, training, and demonstration cancer centers. These Comprehensive Cancer Centers—such as the one at the Mayo Clinic in Rochester—were selected as centers of cancer research and diagnostic and treatment training. The centers also are arranging community programs of cancer diagnosis, epidemiology and preventive medicine.

Since 1971, nine Centers have been identified, bringing the total to tweleve comprehensive cancer centers across the U.S. The major purpose of these centers is similar to your work, that is, to bring results of research as rapidly as possible to a maximum number of people.

Another mandate of the Act, and one of top priority to the National Cancer Institute, is the cancer control program. This program also is intended to facilitate the rapid application of knowledge to the direct benefit of the cancer patient. Activities have included extensive demonstrations to health professionals and the public of new cancer detection and diagnosis techniques.

The emphasis of this program has been directed toward methods to control the occurrence and impact of the ten leading causes of cancer deaths in our country: cancers of the lung, colon, breast, pancreas, prostate, stomach, ovary, rectum, the leukemias, and lymphomas.

I am sure you are familiar with the activities included under the cancer control program, since you are part of it through your volunteer education efforts.

Recently, both the House and the Senate have passed bills—the National Cancer Act Amendments of 1974—to extend the 1971 National Cancer Act through fiscal year 1977. This bill, of which I am co-sponsor, would authorize $807 million in fiscal year 1975 for cancer research, detection and treatment programs. We need these funds desperately.

I am concerned about keeping government spending at a reasonable level. However, dollars spent in trying to learn how to detect and prevent a disease as prevalent and disabling as cancer is a humane and necessary investment.

The total cost of cancer has been estimated to be $15 billion dollars a year. I feel that it is Congress' job to keep an eye on new developments in the area of cancer prevention and treatment and to insure that there is a reasonable amount of money available for basic research and treatment.

This Administration has stated it feels that cancer research is a top priority area. In 1971, President Nixon promised to take personal charge of the war against cancer. He states that, "the time has now come for us to put our money where our hopes are . . . As far as the cure is concerned and as far as the time when it is found, it will not fail because of lack of money . . . To the extent that money is needed it will be provided."

These are admirable goals, but the plain fact is that President Nixon has not kept his promise. He has cut back on the war against cancer.

Budgetary constraints continually have restricted cancer research under this administration. In fiscal year 1974 we in Congress authorized $640 million for the National Cancer Institute. But this administration approved only $500 million.

Dr. Frank Rauscher, Director of the NCI, has said that the cutback of $140 million would not allow him to follow research leads that would save thousands of lives. Dr. Rauscher has detailed nineteen key programs that would be eliminated or reduced by the budget cuts. Several of the most important programs are:

The testing of new treatments for breast cancer, which is the leading cause of death of women;

The testing of new antitumor agents;

A program to communicate the latest advances in drug treatments and immunotherapy from the research lab to the patient and the public.

Again, for fiscal 1975 the President has asked for only 600 million dollars, while the National Cancer Act Amendments of 1974 have authorized $807 million for next fiscal year—a difference of $207 million.

We need that financial support for cancer research, detection, and treatment. Eight hundred million dollars is only $3.81 per citizen in the United States. That $3.81 compares with $139 per citizen to support the national debt, or $16 per citizen for space exploration.

We must have more funds for the NCI and the new regional cancer centers. I have fought the impoundment and budget cutback games of this administration to make sure that the national cancer program is adequately funded. This administration must be reminded of its cancer program promises.

The current bill to extend and improve the national cancer program would authorize additional new Cancer Centers in the United States. But this is opposed by the administration.

The fifteen centers authorized by the 1971 Cancer Act are not sufficient. We need more of these centers, especially in middle America. However, Secretary Weinberger has stated that he does not feel that additional centers are needed to bring advances against cancer to the local physicians.

The Senate Health Subcommittee proposes that at least twenty additional health centers are needed and that "no American should be denied first class cancer care simply because of where he lives." This legislation currently is in conference committee and I am hopeful that the President will sign the bill into law. We need to facilitate and promote continued first class cancer research through these new centers.

In conclusion, I want to remind you that the national cancer program is a people oriented program. Congress and the medical community need your volunteer work.

It is people like you, volunteering your time and skill to save lives, that makes the national cancer program work.

The real value of your public education efforts and that of our cancer research centers can be measured only in terms of the amount of suffering it eliminates.

I am proud of you and your efforts to educate the American public about cancer.

Keep up the good work.

Every American wants a cure for cancer, and you are doing something about it.

Every American wants to do something about the pain and suffering of cancer victims, and you are doing something about that, too.

Every American knows someone who has been stricken by cancer and would like to see the disease eliminated. You are doing something about it.

## LEAKS AND DISCRETION

Mr. GOLDWATER. Mr. President, recently I took the Washington Post and other elements of the news media to task for abusing our laws covering the handling of classified material. By now, I think just about every liberal columnist has taken some kind of a shot at me with reference to these remarks. One of them, for example, said I was one of the best sources of leaks in the whole city of Washington. I challenge him, and I will do it again if he does not respond, to come up with one leak that I have ever made concerning classified material. As usual, the liberal columnists followed their well-known "bell cow" performance on the subject of Government leaks. This is the process whereby one writer leads off with the "subject of the week" and the others fall meekly into line to attack the person who has offended one of their sacred tenets.

I make a special point of calling attention to liberal publications and columnists for a very good reason. For example, let us take the Washington Post, which so strongly resented my suggestion that they were breaking the law in publishing classified FBI material a few days ago. It seems that back in 1963 the Washington Post felt just the opposite about the business of leaks. On November 10 of 1963 on page E–6, the Post viewed with horror the fact that a conservative—Mr. Otto F. Otepka—gave confidential material to a Senate committee. But, let me let the Post—in its own words—tell you how it felt about that so-called leakage of Government information. Here is what the Post editorial of that date had to say:

What Otto F. Otepka did was not only unlawful but unconscionable as well. Mr. Otepka certainly knew this himself—which is no doubt why he did it covertly instead of candidly. He gave classified information to someone not authorized to receive it . . .

It really does not matter that the recipient of the information he disclosed was an employee of the Senate. He had no authority to give it. If the Senate Internal Security Subcommittee felt a need for classified material in the State Department, its proper course was to summon the Secretary of State and ask him for it. If any underling in the State Department were free at his own discretion to disclose confidential cables or if any agent of the Federal Bureau of Investigation could leak the contents of secret files whenever he felt like it, the Executive branch of the Government would have no security at all.

Mr. President, I should like my colleagues to note that the Post took an entirely different attitude when a conservative was supposedly leaking information. It causes one to wonder why this same stringent and proper attitude cannot be directed now against the Ellsbergs and those members or staffers of the House Judiciary Committee, the Senate Watergate Committee, the Justice Department, and the FBI who may be leaking material to liberals for publication. If you have a set of principles I certainly believe they should apply across the board, and the question that goes through my mind this morning as I continue to worry about the decline of the American press is whether columnist Joe Alsop might have been only part right when he referred to the current standard of the news media in Washington as a "triple standard."

I want to make it understood, however, that my concern in this matter is not directed only toward liberal-oriented parts of the media. It is also directed toward any dispenser of news—conservative, middle-of-the-road, radical, or whatever—that would use material they know is not proper or legal. I have read, for example, that one newspaper editor claims they have not obtained material from anyone who did not have a legal right to have it. I hope I read this wrong because it shows a weakness in the approach to the use of classified material. I can legally hold classified material even up to top secret. Mind you, I have every legal right to have those papers, but I have no legal right to let anyone see them who is not cleared for these classifications. You can not go two ways in this field. Either you oppose the dissemination of classified material or you do not, and I do not see how any paper can do it one year and not in the next, as in the case of the Washington Post.

Mr. President, I suggest that the press has a great deal more to lose than to gain by continuing its high-handed attitude toward the leakage of classified material. And I am not alone in that belief. Mr. Erwin D. Canham of the Christian Science Monitor warned in a column recently that "the news media are in danger of losing all the great gains they have achieved in their uncovering of corruption in recent years—from My Lai to Watergate."

Mr. President, I ask unanimous consent to have Mr. Canham's entire column printed in the RECORD.

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

LEAKS AND DISCRETION

(By Erwin D. Canham)

The news media have not yet learned their lesson in this stage of the Watergate case. It is that once a matter moves into its judicial phase, news coverage has to be much more careful than in the earlier investigative period.

Thus the leaks from members of the House Judiciary Committee and the documents from the FBI are of dubious propriety. They are, at the very least, highly incomplete. They need badly to be put into context.

And so the complaints voiced strenuously by Secretary of State Kissinger, by Sen. Barry Goldwater, and even by Assistant Attorney General Henry Petersen have struck home in varying degree. The news media are in danger of losing all the great gains they have achieved in their uncovering of corruption in recent years—from My Lai to Watergate.

MOTIVES CRUCIAL

It is a time for judicial impartiality in the digging for news. It is a time for recognizing that materials can be leaked with intensely partisan motives. When this happens, the news media should evaluate them with care, balancing the material with all that can be found which is pertinent and clarifying.

Specifically, the quotations from J. Edgar Hoover memoranda in the FBI files—seeming to place on Henry Kissinger the initiation of wiretaps—badly needed the rectification which William Ruckelshaus, one of Mr. Hoover's brief successors, brought to them. He pointed out that Mr. Hoover was often leaving memoranda for his own protection, and that such memos were of doubtful documentary proof.

The news media in Washington are habitually the target of a war of leaks. The White House press officers now complaining bitterly against leaks are described by James Reston, of the New York Times, as "two of the leakiest taps in town." There is constant danger that the media will be used by the leakers. The media have always to scrutinize the value and integrity of the information against the motivation of the leaker.

FREE PRESS PROBE

But it is undeniable that vital public information, in the United States and everywhere else in the world, has come to light for many years through leaks. If official news were all the news we had, the public would be badly deceived. A primary role of a free press is to dig and uncover. The exposure of evil is a long step toward the destruction of evil.

The dribbling out of testimony especially from a grand jury or from a congressional committee which is tantamount to a grand jury, is neither necessary nor beneficial. Time is not always of the essence. It may well often be better to wait until all the facts can be put into perspective.

WHAT PLEDGES MADE?

There are vital public issues to discuss today and there is much genuine news reporting to do about them. For example, the range of plea-bargaining that has taken place, from former Vice-President Agnew's to today's and tomorrow's, should be thoroughly clarified. The U.S. Senate—and the public—have a right to know whether private (or secret) assurances are being given to any of the governments with which President Nixon and Secretary Kissinger are negotiating. There is a place for confidentiality pending a negotiation, but the time comes when all the facts need to come out. The public has to know what has been pledged in its name.

The defenders of President Nixon insist, with some degree of justification, that the press should have been more active in digging into various past scandals on the Democratic side. Even today, the money so liberally spread out by the milk producers' lobby should be fully traced. And so should anything else relating to the public welfare, which sometimes reaches all of us by process of leak.

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## SOLAR ENERGY

Mr. BIDEN. Mr. President, solar energy appears to offer a positive contribution to the national goal of permanent energy self-sufficiency while minimizing environmental hazards. In addition, this technology could be an exportable item for use by other energy-deficient areas of the world. The energy crisis, while providing alarming and uncomfortable moments, had a positive impact because it exposed a need for an alternative source of energy. Fortunately, research into the feasibility of solar energy had already begun. One of the leaders in photovoltaic research, Dr. Karl Boer of the University of Delaware, had successfully completed a project which demonstrates the possibility of using solar energy to heat and cool. Congress, in passing a Solar Home Heating and Cooling Act and through conducting hearings and public forums on the development of solar research is doing its part to assist the research and development of solar energy to its fullest potential. Perhaps the highest hurdle that solar energy faces is the adjustment from a successful scientific project to a usable source of energy available to the average American citizen on a mass scale. Mr. John Fialka, in a two-part series of articles printed in the Evening Star, discussed energy's push into the marketplace and traced the major development of solar research.

Mr. President, I ask unanimous consent that two informative articles be printed in the RECORD at this point of my remarks.

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

[From the Washington Star, June 17, 1974]

PART I

The job of harnessing the energy in sunlight has been like pushing a cumbersome object up near the top of a steep, difficult hill.

Much of the heavy, basic scientific work has been done, some of it completed years ago. But getting the notion of a solar power industry over the top and rolling under its own momentum was still a dream until last winter when the Arab oil embargo came along.

Now, if you took a journey through the world of solar ideas, the broad spectrum of devices and concepts that have long been in the realm of a few scientists and many magazine feature writers, you would see considerable movement.

Solar-heated radiators, solar power from trees and garbage, solar power from wind, solar power from the ocean and from strange wafers of silicon are no longer Buck Rogers dreams. The revolution in fuel prices means that some, perhaps all of these things, are about to become practical.

Almost anywhere you look, you will see evidence that the Arabs may have given solar power the final, crucial push into the marketplace.

For example, the Washington office of Alfred J. Eggers Jr. is packed with reports that conclude that solar power may be the cheapest, cleanest new source of energy. If you could catch and use one out of every 700 units of solar energy falling on the United States, asserts one, the energy crisis would be over forever.

Yet Eggers, along with nearly every other government official concerned with energy needs, found himself sitting in his office last winter, wondering how to replace the oil that suddenly was not there.

Then one day someone gave Eggers a picture of some school children in Paola, Kan. What attracted his attention was that the children were freezing. They were wearing heavy coats because their school's oil tanks had run dry.

"I said to myself, the Arabs have really given us an opportunity," recalls Eggers, who

is assistant director for research applications at the National Science Foundation. What Eggers had hit upon was the chance to use solar power in the simplest way, to use the sun's heat to fill radiators in buildings and homes.

The word went out from NSF, the lead agency promoting solar energy, that there was over $1 million in grants available for companies who could design solar heating systems for the schools and have them running before the 1973–74 heating season was over.

What Eggers was trying to prove is that the technology is not complicated. "And the school is the perfect place to do that," he explained, "it's kind of a focal point for the whole community."

The potential market is enormous, for space heating is estimated to consume one-quarter of all the fuel used in the United States.

Some of the giants of the U.S. heating industry responded, including General Electric and Honeywell, Inc. So did Intertechnology Corp., in Warrenton, Va., a relatively tiny company headed by Dr. George C. Szego, a chemical engineer.

Using a crew of 30 people and working nights and weekends, Szego's company put together in 57 days what may be the world's largest single array of solar collector plates on the grounds of a nearby school.

Since March 19, the sun has been the sole source of heat for five drafty temporary classroom buildings at Fauquier County Public High School in Warrenton.

The system saves roughly 24 gallons of fuel oil every day and it can store heated water in insulated tanks for up to 12 days when the sun is not shining. Everything that went into Szego's system can be found on the shelves of building supply stores.

The basic solar heating device, the solar collector, has been experimented with since 1909 It is simply a thin, rectangular box, covered with glass and bottomed with a black-painted metal sheet that has thin water pipes running through it.

When the sunlight hits the metal it is absorbed, turning into heat. The glass traps the heat, creating temperatures inside the box that can reach as high as 200 degrees. The water in the pipes carries the heat away to radiators, or to underground, insulated tanks for storage when the heat is not needed.

While there are only about 30 solar-heated buildings in the United States today, there are indications that soaring fuel bills and examples like Szego's school and three other schools that suddenly received solar heating systems last winter are beginning to give industry dreams of mass production.

For instance Peter E. Glaser, a vice president of Arthur D. Little Inc., one of the nation's leading management consulting firms, has been signing up companies in a group that sponsors market research that will be needed to form a solar heating industry.

Membership costs $1,500. Last November Glaser's group had 44 members. Now it has 78.

Within the last few months, according to Glaser, who is one of a handful of people who have followed solar development over the years, plans for at least 50 new solar-heated buildings have been announced.

"It's happening in so many places it's hard to keep track of," he said.

But solar collector panel systems are really just the tip of an iceberg of ideas and designs that scientists have developed.

"If all the plans for solar power were simply put in one place and ignited," quipped one scientist, "you wouldn't need a new energy source."

In fact, solar power has really become, in recent months, a generic term, covering almost any way you can get energy from something that has been touched or produced by sunlight in recent months.

For example, a growing plant is really a creature of sunlight and schemes of creating large power-producing facilities from plants or other forms of vegetable matter are now under serious consideration in several parts of the nation.

Szego's company is currently negotiating with a North Carolina pulp and paper company over the contract that may bring the first of these plants into being.

Imagine a field of trees, densely planted like hybrid corn and harvested every three to five years. The trees would be slender whips, gathered by sugar cane cutting equipment and fed into wood chipping machines.

The resulting mountain of chips would be fed into a wood-burning steam boiler system, part of a conventional electric power plant.

Strange? Maybe so. But high-priced low-sulphur fuel oil, much in demand by electric power plants, may bring it into being.

According to Szego, the wood chips are a low-sulphur fuel that soon may be highly competitive with fuel oil in terms of cost and heat produced.

The wood would be harvested on land near the plant, creating a perpetual supply of fuel and ending fuel transportation costs and supply worries forever. Ash from the burning would be dumped back on the land as the major fertilizer for more trees.

While other solar scientists have been working with storage batteries and other devices that would store solar energy for use at night and on cloudy days, Szego believes he has hit on the simplest solar storage system of all: "It's the pile of chips."

The idea, called an "energy plantation" has been criticized by the Atomic Energy Commission, among others, because it would require as much as 200 square miles of land to support a 400 megawatt plant that could power a city of 200,000.

That might seem like a lot of land, but Szego points out that there are at least 26 pulp mills operating in the South, each of which needs 350 square miles of pulp wood to stay in production.

Once you accept a tree as the embodiment of solar power it is not too big a step to include metropolitan sewage sludge and animal wastes in the same category. After all, solar scientists reason, aren't these wastes simply the digested remains of vegetable and organic matter that was recently grown by the sun?

The idea here is not to recover the energy by burning the waste, but by letting it ferment in the absence of oxygen and in the presence of anaerobic bacteria. The result is methane, the substance most people know as "natural gas."

The process is not a new one. Sewage plants have been making methane gas for years as a biproduct of waste treatment. Often, however, the methane produced has been considered a nuisance and has been piped outside the plant to be burned, or flared off.

Now, as part of its solar program, the National Science Foundation, is studying the feasibility of a large-scale methane production plant from sewage sludge.

If the process works, according to a study by a panel of NSF and National Aeronautics and Space Administration (NASA) solar experts, it will yield a gas at the same price as the market rate being considered for synthetic gas from coal and imported liquified natural gas.

Moreover, it would begin to reduce the mountain of sludge now accumulating in metropolitan areas.

Animal wastes represent another problem that could be converted into "solar power." According to a recent report by the House Government Operations Committee, 2 billion tons of animal wastes are produced annually in the United States. Much of it is produced in animal feedlots and often it is simply discharged into lakes and streams where it quickly fouls the water.

Mass fermentation of wastes into methane could ultimately supply 2 to 3 percent of U.S. gas needs, according to the NSF–NASA study.

Then, if you extended the process and began cultivating such fast-growing plants as algae, the water hyacinth or kelp for fermentation into methane the potential would be enough gas to "supply all our gas needs," the study asserts.

The AEC has stated that systems of collectors could be arranged to deliver up to 60 percent of all the power, heat and hot water needed by a community of more than 100 homes.

Taking the process still another step further, there is a relatively simple way to make rotary power from the sun without going through the fuss of boiling water to make steam. The wind is produced by temperature differences caused by the sun.

Again, inventors have been at work for some time. The Danes built a 100 megawatt windmill in 1915 and an American power company built one at Grandpa's Knob, Vt., in 1940.

The National Aeronautics and Space Administration (NASA) is currently building a windmill with a 125-foot rotor blade to be installed next year in Sandusky, Ohio. It will have variable pitch blades and a complicated gearing and wind sensing system that will allow it to deliver a constant rate of spin.

The problem with all of these devices, however, is the same. They involve huge amounts of expensive machinery that just sits around at night when the sun goes down and the wind drops. If only there was a river of solar heat that ran 24 hours a day.

Such a river has been found and some scientists believe it could be harnessed to provide all of the nation's energy demands by the year 2000.

It consists of the Gulfstream and the tropic seas in the Gulf of Mexico. A French scientist proved that you could harness this nearly infinite heat reservoir of 82 to 85 degree water in 1929.

Now the NSF is making up to $1.8 million in grants available to see what sort of hardware would be needed.

The idea is to use a liquid such as propane or ammonia that would boil at such temperatures and run turbines to make electricity. The vapor or "steam" that came out of the turbines would then be cooled with water and pumped 2,000 feet below the surface. There, another almost infinite supply of cold water at between 35 and 28 degrees would condense it and turn it back into a liquid to begin the process again.

The system would need large pumps and huge pipes because huge volumes of seawater would have to be moved through it to take advantage of the temperature differences.

Last fall, a panel of solar experts assembled by the NSF reported that such generating units could be positioned 1 mile apart, across the length and breadth of the Gulfstream.

The energy from these and a few more units positioned in the Gulf of Mexico, the panel stated, would provide more than 26 trillion kilowatt years of electrical power—enough to totally satisfy the nation's energy demands.

The use of temperature differences or thermal gradients in the Gulfstream has raised a number of questions. Can the U.S. make the hardware, for instance, strong enough to withstand the corrosion of seawater?

Since the Gulfstream terminates by delivering its heat to England and Northern Europe, would tampering with its heat content turn that area into a new Siberia?

These are just a few of the pesky questions that bother solar scientists. Some of

them feel it would be a lot simpler to manufacture something that has no moving parts that would just sit there in the sunlight and make electricity.

Such a device, called a solar cell, was invented in the early 1950s when scientists discovered that if you take certain types of crystals, say a wafer of silicon, and put it into the sunlight, a small charge of electricity is created for a fraction of a second before it degenerates into heat.

The sunlight causes rapid movement among the electrons, charged particles within the silicon atoms. By using special coatings and silver wires to tap the momentary movement of the electrons, scientists found they could "catch" a supply of usable power from the process.

Simple as all this might sound, there was one big drawback. Making the silicon wafers and coating them and installing the tiny silver wires took up to 65 hand processes. The labor costs drive the price of the resultant electricity up to around $6 a kilowatt hour. That is enough electricity to light ten 100-watt bulbs for one hour.

Who would pay such a fantastic price for solar electricity when the same amount of power coming out of the socket in the average living room wall costs about 3.5 cents?

NASA would and did. It appeared to be the simplest way to power space crafts. As a result of its space program, the U.S. has probably spent far more on solar cell development than on anything else in the entire solar field.

Bringing the solar cell down to earthly prices has been the big problem, but there are now four or five companies who believe they can do it.

One of them is Solarex, an eight month-old venture in Rockville, Md., headed by Joseph Lindmayer, who has invented several types of solar cells.

"There has been a tremendous change in this in just a year. This was science fiction a year ago, now things are beginning to happen," he told a reporter recently.

Lindmayer believes he can get the price down to 60 cents a kilowatt hour. That may still seem steep compared to utility rates, but millions of Americans pay that much for electricity when they buy batteries.

Early last month the NSF announced that a new process of making the silicon wafers in long strips rather than slicing them off of big bologna-sized crystals, might cut production costs by 50 percent.

A problem with developing solar cell technology, as with all other devices to use the heat of the sun, has been money. When Lindmayer started out, he took his scheme to Wall Street, which was not interested.

"All the venture capitalists we talked to in the beginning had this basic hangup. They said, "where is the market?" But Lindmayer gradually found enough financing to begin.

The really big money in the energy research and development business is going into the development of the breeder reactor, a device which the AEC says will create enough additional fuel to power itself as well as other nuclear reactors.

Lindmayer's most ambitious scheme is to build a "solar breeder" to demonstrate that solar energy, too, can develop such profound economic advances.

Soon, he believes, solar cells will be mass produced so cheaply that they will be used to panel the roofs of houses and large buildings. At that point Lindmayer hopes to start a solar cell factory that will begin by paneling its own roof.

Once the sun provides enough power to heat and light the building and to power its production line, Lindmayer says he will do what every solar scientist secretly dreams of doing.

"We will mark this glorious day with champagne and then we will go outside and cut the wires from Pepco (the Potomac Electric Light & Power Company.)

[From the Washington Star, June 18, 1974]

PART II

If there were some way that the government could prod industry into mass-producing solar heating equipment, the day would soon come when a do-it-yourselfer could afford to put solar panels on his roof.

That is the theory behind a little-noticed bill that is on its way to the White House. It would earmark $50 million in government funds to buy 2,000 solar-powered home heating units and another 2,000 home heating and cooling units that would be tested on various homes throughout the country.

Although all manner of gadgets have been invented to use solar energy, nearly all of them have been waiting on the drawing boards, waiting for the government to put together the right package of economic incentives and waiting for company engineers to develop cheap mass-produceable equipment.

There are only about 30 buildings in the nation that have solar heating systems. All of them are custom made and most of them have cost small fortunes.

The bill is intended to find the companies that can run solar equipment off assembly lines. But the bill also demonstrates the political clout that solar power is finding within Congress.

In a year when most energy bills have involved desperate, knock-down-drag-out fights between environmentalists, consumer advocates and industry supporters in Congress, solar power has been, as one scientist recently put it, "God, motherhood and the flag."

Congressmen fell all over themselves to get associated with the "Solar Heating and Cooling Demonstration Act of 1974." There were 185 sponsors in the House, where only two people voted against it. In the Senate, where it passed without dissent, five committees demanded the right to hold hearings on it.

The bill, which is now before a House-Senate conference committee, may soon be followed by a second measure, initiated by Sen. Hubert Humphrey, which would pump $600 million in grant money into a wider spectrum of solar power projects.

The money and attention from Washington has been a long time in coming.

Up to 1970, the federal government spent about $100,000 a year on solar power research, while devoting billions to subsidies for coal, oil and nuclear power.

Next year the budget for solar power research will be $50 million-apart from the new grant money coming from Congress.

Will the new research money and growing political interest produce an affordable solar home heating unit? Many government scientists involved in solar-related work privately state that it may not, unless the government finds ways to pump in even more money.

Big business, they point out, has shown a great lack of enthusiasm for assuming the risks involved in the solar business.

But there are still enough tinkers left in the United States to press the argument, that solar power can be done and can be done cheaply.

Probably the closest to Capitol Hill is Harry Thomason a patent attorney who lives in a solar-heated house in District Heights, Md. It is one of three that he has built himself.

By now, platoons of Congressmen have visited Thomason's four-bedroom ranch house, which Thomason says cost him a total of $35 to heat last winter.

Eighty-five percent of the heat, according to Thomason, came from the glass covered panels on his roof. Inside them, water flowing over corrugated aluminum roofing absorbs the heat from the sun and flows through a system of pipes that takes it through heating units in the house, or when it is not needed, into a 1,600-gallon insulated storage tank.

Thomason also uses the system to help him air condition during the summer. It stores and dehumidifies the cool night air and then circulates it during the day.

But the crowning achievement, according to Thomason, is the system's cost. Putting up an ordinary roof on a house can cost about $1 a square foot. Thomason claims he can replace the roof with a solar-paneled roof for $2 square foot.

What is more, Thomason says he will soon be in the business of building and selling solar equipped houses. The heating and cooling system will include a small, conventionally fired furnace as a backup system.

The system will sell for about $2,000 more than conventional heating and cooling systems, Thomason asserts. His company, he says, will also warrantee them by putting $1,000 in escrow to cover any repair problems that come up.

Thomason, who holds 17 patents covering his solar inventions, has a kind of contempt for the federal research and development agencies like the National Science Foundation and the National Aeronautics and Space Administration, the agencies that are managing the federal program to explore solar power.

The bureaucrats of science, he asserts, have actually held back solar power by prolonging the research and development stage. They have "ignored" his homes, which have been producing solar power cheaply for up to 15 years, he adds.

Some of the managers of government solar research programs, on the other hand, privately belittle Thomson and complain that getting reliable, mass-produced solar collectors to the marketplace will take more research and development.

Recently the NSF issued grants to four companies to build solar heating units at four schools and discovered that the collector costs were running over $15 a square foot.

According to John Del Gobbo, program manager for one of NSF's solar progams, a number of questions still remain to be answered. For instance, glass may prove to be too heavy and expensive for home rooftops and plastic substitutes, which are lighter, may lose their transparency over the years, like the back windows of cars with convertible tops.

William H. Woodward is head of the space propulsion and power systems programs at NASA which also includes solar research.

He wonders whether the benefits of solar heating such as reduced air pollution and fuel demands, might not be nullified by the energy needs and resulting smog of a new industry needed to manufacture solar collector panels.

Most solar panel designs, Woodward points out, have aluminum bottoms and aluminum production requires enormous amounts of electricity.

Under the mechanism contained in the forthcoming solar heating and cooling demonstration bill, these problems would be worked out by the Department of Housing and Urban Development (HUD) and the Bureau of Standards, which would select the basic standards the government would accept in solar units.

Then NASA would use its expertise in buying hardware to test various units submitted by manufacturers and select two or three companies to build the government units.

Roughly half of these would be tested on the homes of servicemen at military bases and the rest would be distributed by HUD to interested civilian homeowners in various parts of the nation. The units are expected to begin rolling off the lines sometime in 1977.

When NASA begins shopping around, it will find that some designers are already busy trying to accelerate the state of the art:

Scientists at the University of Delaware working with funds contributed by the Del-

marva Power and Light Co., a local utility have built "Solar One," a house that uses solar cells to generate electricity. The cells, previously used in space craft, make electricity directly from sunlight. The house's designer says it can get 80 percent of its heat and electricity from the sun.

The Institute of Gas Technology, a Chicago-based research firm, unveiled a 3½-foot square metal box this month that, according to the institute, has machinery with the capability of using solar heat to completely heat and air condition a home. The system, which can be switched over to gas on cloudy days, is designed to cut heating and cooling bills by at least one-third.

The Mitre Corp., a research firm in McLean, Va., is busy installing a system on its roof that may be the most advanced solar-powered unit yet. It will use solar cells to generate electricity. Part of the electricity will be used for lighting, the rest will be used to separate hydrogen from water through electrolysis. The hydrogen will be reconverted into electrical power for use at night.

Getting these inventions into the building supply stores, however, would be greatly aided by another invention, a legislative invention conceived this spring by Robert D. Garton, an Indiana state senator. He is the author of the nation's first tax subsidy for homeowners who take the plunge into solar heating and cooling.

He drew up a bill that would exempt as much as $2,000 worth of the solar heating and cooling equipment from local property taxes. The bill sailed through the Indiana legislature and is now being studied by several other states and the Canadian government.

Federal energy planners are known to be considering subsidy which could be justified by showing that solar power is environmentally clean and that its use would significantly reduce peak demands on other energy.

Such subsidies for a form of energy are nothing new. The federal government has done it for years to stimulate the production of coal and oil. The 22 percent oil depletion write off, for instance, is estimated to have saved oil companies around $2 billion last year.

The cost of the government promotion, subsidy and protection given the nuclear power industry has never been added up, but it "too" probably runs into the billions.

Further subsidies for synethetic fuels such as shale oil and gassified coal will be contained in the plans for Project Independence, the Nixon administration's plans for energy self-sufficiency by the early 1980's.

Recently, a panel of government solar experts tried to insert one subsidy plan in the forerunner of Project Independence, a blueprint for energy self sufficiency compiled by the Atomic Energy Commission and presented to the White House in December.

After an 18 month study, the panel reported to the AEC that "ultimately, solar energy systems could easily contribute 15–30 percent of the nation's energy requirements."

An accelerated government program to capture this gross savings in energy would cost the government a billion dollars over the next five years, the panel said, adding that a "minimum" program to develop solar power could be put together for $409 million.

When the AEC delivered the final version of its energy blueprint to the White House, however the document, entitled "The Nation's Energy Future," of the solar experts' findings and had chopped the "minimum" spending plan in half.

Although solar power may lose a few battles in its effort to gain visibility in big government circles, many of its supporters feel that its appeal in Congress and its environmental playoffs will win the war.

The 1950s were the heyday of nuclear power. There were a multitude of ideas on how to harness nuclear power. Some proponents argued that the resultant electricity would be so cheap that there would no longer be any need for meter readers.

The 1970s may be the boom time for solar power. There are hundreds of ideas and Congress is once again being asked to reach for its pocket book. Moreover, the meter readers are still there.

As one solar power researcher, Dr. Aden B. Meinel, recently put it to a House subcommittee, a new energy industry now deserves a place in the sun. Although some of its schemes may sound far fetched, the government has bankrolled risky ventures before, he pointed out.

". . . if I were here today telling you we could make nuclear power and all we would have to do would be to slightly enrich natural uranium in U–235, you would ask what that will cost: I would say it will cost only $1 billion. . . . You would probably say forget it."

Asserting that solar energy has the same "start-up problems" that nuclear power had in the 1950s, Meinel urged that some new way has to be found to bring solar power to the marketplace.

"How you go from where we are today to that point, I don't know. Solar energy will never support a bomb program," he concluded.

## NEED FOR ADMINISTRATION'S SUPPORT OF SURFACE MINING LEGISLATION

Mr. METCALF. Mr. President, enactment of surface mining legislation this year is vitally needed. The Senate passed the strong but balanced bill last October (S. 425). The House Committee on Interior and Insular Affairs has reported a bill (H.R. 11500). I hope that the House of Representatives will pass H.R. 11500 soon so that the House-Senate conference can meet and the Congress can send a bill to the President this summer.

Unfortunately, despite repeated statements by the administration urging Congress to enact surface mining legislation, the administration now seems to be wavering. After the House committee reported H.R. 11500, Secretary of the Interior Morton and Federal Energy Administrator Sawhill both wrote letters expressing concern about H.R. 11500. Careful analysis of their letters indicates that they were very misleading in their statements about the impacts on coal surface mining.

This is particularly true of Mr. Sawhill's May 29 letter to Congressman HOSMER which is obviously intended to create the worst possible impression of the effect of H.R. 11500. It grossly distorts the findings of a study done by the Bureau of Mines on this subject.

This kind of scare tactic is inconsistent with the reasoned discussion of issues necessary to legislative action. The chairman of the Committee on Interior and Insular Affairs and I have written to Mr. Sawhill expressing our concern. I ask unanimous consent that this letter be printed in the record together with a copy of the questions which I asked Mr. Sawhill at his confirmation hearing and his answers.

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

COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS,
*Washington, D.C., June 21, 1974.*

Mr. JOHN C. SAWHILL,
*Administrator, Federal Energy Office,*
*Washington, D.C.*

DEAR MR. SAWHILL: Thank you for your prompt answers to the questions raised at your confirmation hearings about your May 29 letter to Congressman Hosmer discussing the impact on coal production of H.R. 11500.

As you admitted, the figures cited in your letter were the maximum potential losses indicated by the Bureau of Mines study. We are sure that you are well aware that the Bureau of Mines' estimates of probable losses are substantially lower. For example, the statement in your letter that the requirement for restoration to approximate original contour and the limitation on placement of spoil on the downslope would cause "an immediate annual loss in production of up to 67 million tons" completely ignores the Bureau of Mines' estimates of probable losses of from 5.1 to 7.5 million tons a year.

Similar discrepancies exist between the numbers cited in your letter and the Bureau of Mines' estimates of probable losses with respect to other provisions on H.R. 11500. For example, your letter did not indicate in any way that the Bureau of Mines estimated that there probably would be no production loss whatsoever from thick-seam, shallow-overburden mines, such as those found in the Northern Great Plains.

Your use of the maximum possible loss numbers set out by the Bureau of Mines with no reference to the probable loss figures estimated by the Bureau, was totally unwarranted and very misleading.

It certainly created the worst possible impression of the effect of H.R. 11500. We regard this as a scare tactic inconsistent with the Administration's frequently expressed desire for responsible surface mining legislation.

We believe that the American coal industry cannot afford to continue in a climate of uncertainty caused by the lack of Federal surface mining legislation. Your letter does not contribute to the kind of reasoned discussion of the issues necessary to legislative action.

We hope the Administration will urge the House of Representatives to pass H.R. 11500 so that there can be a House-Senate Conference in July and a strong but balanced bill sent to the President this summer.

Sincerely yours,

HENRY M. JACKSON,
*Chairman.*

Very truly yours,

LEE METCALF,
*Chairman, Subcommittee on Minerals, Materials and Fuels.*

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1. Q—I am still concerned that your May 29 letter to Congressman Hosmer grossly distorts the impact on coal production of H.R. 11500 and, to the extent its provisions are similar, S. 425. I assume that you have seen the response to your letter placed in the *Congressional Record* by Congresswoman Mink on June 7. Your response to questions submitted on June 7 does not in any way rebut the accuracy of Mrs. Mink's statement or of the analysis submitted to Secretary Morton by Congressmen Udall and Ruppe. It appears that the Bureau of Mines study makes a number of seriously incorrect assumptions about the legislation. Have you had your staff review the study and your letter in light of these responses?

A—We have reviewed Congresswoman Mink's analysis of H.R. 11500 and the analysis of H.R. 11500 contained in Congressmen Ruppe's and Udall's letter to Secretary Morton. Their analysis of H.R. 11500 infer more flexibility and latitude in interpreting various provisions of H.R. 11500 than would be

mandated by a literal reading of the bill. The final House Report on H.R. 11500 also seems to suggest that several provisions of the bill are to be interpreted and applied in a flexible manner. If these provisions are indeed so interpreted and applied, then it is possible that actual coal production losses may be somewhat lower than the Bureau of Mines' original estimates. However, there is no certainty that the bill will be so interpreted, particularly in light of the citizen-suit provision in H.R. 11500 which assures that all interpretations given to the Act will be tested in Court.

2. Q—You stated that the section in the legislation which provides for designation of areas unsuitable for surface mining "appears to create a general presumption that all lands are unsuitable for mining". Both the Senate and House bills expressly assume just the opposite—that lands *are suitable* for mining until demonstrated to be unsuitable. Assuming that this section would result in a "nationwide ban on new surface mining" is an unwarrated scare tactic.

A—I continue to feel very strongly that, the burden of establishing unsuitability under section 206 of H.R. 11500 should be shifted so that an area *must* be designated unsuitable for mining only if it is shown that it is not physically possible to reclaim such land.

Section 206(a)(2) clearly provides that "an area *shall* be designated unsuitable for all or certain types of surface coal mining operations if reclamation pursuant to the requirements of this Act *is not demonstrated* to be *physically or economically* feasible." (emphasis added)

3. Q—Your comment about losses of production from requirements for backfilling to original contour and no spoil on the downslope does not seem substantiated by the Bureau of Mines study. It indicates probable losses of from 5.1 to 7.5 million tons per year. How did you reach your conclusion of 67 million tons per year?

A—FEO's figures concerning the probable loss, of coal production which would result from the downhill slope spoilage and approximate original contour provisions of H.R. 11500, agree with the estimates of maximum coal losses contained in the BOM study, a copy of which was attached to Secretary Morton's letter of May 29, 1974 to Congressman Haley. In arriving at our 67 million ton figure we combined three categories of figures contained in the BOM study and agreed with BOM as to the extrapolated end result.

4. Q—What was the basis of your estimate of losses from requirements dealing with subsidence from underground mining? You suggested the figure would be "upwards of 100 million tons annually." The Bureau of Mines study shows probable losses ranging from 5 million to 30 million. What was the basis for your statement?

A—Our figures concerning coal losses resulting from the subsidence provisions of H.R. 11500 agree with the estimates of possible *maximum* losses contained in the BOM study referenced above. These estimates assume that all production from underground mines with less than three hundred feet cover would be lost.

5. Q—You indicated that the House bill's provisions require a consent of the surface owner before the Federally owned coal under private land could be mined would eliminate a "14 to 38 billion tons and more" of Federal coal from mining. I don't understand your concern in view of the fact that a number of coal companies are acquiring private lands overlying Federal coal. They do not believe that there will be any substantial opposition from surface owners.

A—In my letter to Congressman Hosmer I merely pointed out that enactment of H.R. 11500 could possibly foreclose mining of a significant portion of the 14.2 billion tons of Federal coal which underly non-Federally owned surface land.

6. Q—Your opposition to what we believe is strong but reasonable legislation is particularly disturbing in light of testimony received from the Chief Engineer of the American Electric Power System that the reclamation requirements of S. 425 could be met. Industry oriented magazines such as *Fortune* and *Business Week* have also indicated that these requirements are considered reasonable.

A—The testimony that is referred to was presented at a regional hearing in Casper, Wyoming on April 18, 1974 by Mr. Kenneth A. McDonald, a senior staff engineer with American Electric Power System. The chief engineer of American Electric Power System is Mr. John Dolan.

My staff has contacted Mr. Herbert Cohn, Vice Chairman of the Board and Mr. Paul Martinka, Vice President of the American Electric Power System. They advised us that the intended thrust of any statement given in testimony was to the effect that, "we favor strict but attainable standards." They did not agree that the requirements under S. 425 or H.R. 11500 could be met, and stated that there would be serious losses of production.

In arriving at its coal production loss figures the Bureau of Mines fully considered existing mining technology. As stated in my letter to Congressman Hosmer, our estimates of production losses caused by individual sections of H.R. 11500 should not be added together in arriving at the overall effect H.R. 11500 would have on production and reserves. For example, some of the coal affected under the "areas unsuitable" section could be the same coal affected under the "approximate original contour" section.

My basic objection to H.R. 11500 is that it fails to strike an appropriate balance between preserving environmental quality and assuring adequate coal production. These goals are by no means incompatible. I believe a better balance than that provided by H.R. 11500 can and must be struck.

## THE PRESIDENT'S VISIT TO THE SOVIET UNION

Mr. ROTH. Mr. President, about 2 weeks ago I suggested that the President should take a bipartisan delegation of Members of Congress with him on his visit to the Soviet Union. I believe this suggestion bears repeating in the light of the current controversy over the 1972 SALT interim agreement on offensive weapons.

I had made this proposal for a number of reasons.

First, it is important that our foreign policies, particularly our policy toward the Soviet Union, not become enmired in Watergate politics. Some have suggested that the President should not participate in the summit meeting because of the Watergate affair. While I can certainly appreciate the reservations of those who have espoused this point of view, I believe that our foreign policy should be kept moving forward independently of the Watergate affair. At the same time, a bipartisan group of senior Members of Congress accompanying the President would help to give the public greater confidence in the trip.

Second, the delegation would strengthen our hand at the bargaining table. It would demonstrate to the Soviet Union that Americans of both the legislative and executive branch and of both the Republican and the Democratic parties are basically united on such fundamental interests as arms control and concern for human rights.

Third, this delegation would form the basis for building a new partnership between the executive branch and the Congress on foreign affairs. This partnership would have great benefits for both branches and for the Nation as a whole. On one hand, Congress would benefit by the firsthand experience of some of its Members when it came to approving any agreement that was reached. On the other hand, the executive branch would benefit throughout the negotiating process by the constant reminder of congressional interests and special concerns. The Nation would gain because partisan politics would be put aside.

The controversy of today over the 1972 SALT agreement on offensive weapons underscores the need for continuing consultation between the executive branch and the Congress on issues of such vital national importance.

I very much regret that this quarrel has emerged on the eve of the summit meeting. It suggests to those on the other side of the table that we are divided and this certainly is not a very good start.

The lesson is that Congress should be involved in the foreign policy process in a much more intimate manner. According to one recent newspaper article, Secretary Kissinger remarked that Senator JACKSON's charges may have arisen from misapprehensions of some of the witnesses who testified before Senator JACKSON's subcommittee. This might have been quickly and quietly cleared up if there had been a Senator who had accompanied the delegation to the last Moscow summit and was thoroughly acquainted with all the understandings reached.

A congressional delegation might consist of a Congressman and a Senator from each political party—four members altogether. It should be selected from senior leaders with well-known reputations for integrity, prudence, and discretion and thorough knowledge of our Nation's foreign policy and military interests and secrets because of service on a committee such as the Armed Services Committee or the Foreign Relations Committee. There are many excellent choices.

It is not too late for the President to invite such a congressional delegation. I believe this move would be enthusiastically welcomed by the American people. It would give the summit trip an important shot in the arm at a time it desperately needs one. And I am confident that among the leaders of Congress there are many who would accept the President's invitation to accompany him to Moscow in the interest of trying to strengthen the foundations of world peace and preserve the security of the United States.

## STATEMENT OF DEFENSE PRINCIPLES ON RESEARCH AND DEVELOPMENT

Mr. McINTYRE. Mr. President, during the recent hearings conducted by the Subcommittee on Research and Development of the Armed Services Committee, I was impressed with the formal statements and responses to questions by Dr. Malcolm Currie, the Director of Defense Research and Engineering, and by the Army, Navy, and Air Force Assistant Secretaries for Research and Development. Their respective names are Norman Augustine, David Potter, and Walter LaBerge.

This new team will have a profound impact on the shape, size and direction of the Defense research and development program during the next several years, which will determine the quality of our major weapon systems for the next 10 to 20 years. Theirs is a very sobering responsibility, and one which all of us must help them bear. And I am dedicated to that task.

I was encouraged and pleased, therefore, when my attention was called to a recent statement published by these gentlemen as a blueprint for the future Defense research and development program. It is a simple, 2-page document, dated June 14, 1974, and bears all of their signatures. It is titled "Statement of Principles for Department of Defense Research and Development."

I ask unanimous consent to have the document printed in the RECORD at the conclusion of my remarks.

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

[See exhibit 1.]

Mr. McINTYRE. Mr. President, while I agree with the contents in general, I have some reservations regarding the last item, "Independent research and development." This subject is actively under study by the General Accounting Office and will be addressed during the review of the fiscal year 1976 budget. I subscribe to a strong I.R. & D. program, but have yet to decide upon the extent to which it should be supported by the Government.

I urge my colleagues as well as the research and development managers in all Federal agencies, and Government-related industry as a whole to read the statement carefully. Its soundness cuts across the board and extends far beyond defense. It should serve as a true benchmark in measuring the efficiency with which research and development programs are managed.

EXHIBIT 1

STATEMENT OF PRINCIPLES FOR DEPARTMENT OF DEFENSE RESEARCH AND DEVELOPMENT

*ROI Consciousness.* We must develop and use a deeper and more explicit consciousness of Return on Investment in management of Defense Research and Development.

This return lies in demonstrated deployable capabilities that can be acquired and owned at minimum and affordable cost, and which can be sufficient in performance and numbers to accomplish necessary military and deterrence missions.

*Technology Base.* Our greatest long-range asset is our Technology Base. It must be nurtured and managed so that it:

Gives us great leverage in terms of Return on Investment;

Constitutes a fully integrated DoD tri-Service activity; and

Searches out substantial increases in military capability and consciously uses technology to reduce costs.

*Program Planning.* The success of a program is often established or destroyed in its initial stage—by its concept, its RFP, the program plan and its funding. We must give this part of the process more explicit attention.

*Viable Options.* It is essential to create options which will allow timely low risk development of new systems when the need arises. This can be accomplished by:

Forcing, as appropriate, the development and consideration of alternative paths to the same goal; and

Developing and testing "brass board" or experimental configurations, prototypes, advanced development models and advanced components in response to anticipated need but well in advance of the establishment of firm operational requirements.

*Competition.* Controlled competition wherever possible—between technical approaches and developers—is a powerful management tool for maximizing Return on Investment.

*Selectivity.* We must be vigorously selective among competing solutions. In selecting programs, we must insure that:

Technical feasibility is used as a necessary but far from sufficient criterion for proceeding with a program;

Program progress is geared to demonstrated performance milestones rather than arbitrary schedules or contract restraints. We will support a strong Test and Evaluation program, at the component as well as systems level, to insure performance demonstration throughout development;

Unnecessary duplication of equipment designed for similar purposes is eliminated;

Inter-Service developments are used to reduce development, procurement, logistics and support costs; and

Greater emphasis is placed on product improvement as a potentially effective alternative to a new development.

*Program Management.* Improved program management is central to our future and should be recognized and rewarded. We will encourage the building of strong career-oriented technical/business management cadres and will delegate wherever feasible.

*Assessment of Needs.* Defense R&D goals should be determined by a combination of the potential contribution of the available new technology to specific military needs and the best possible calculated long-term costs.

*Design-to-Cost.* Design-to-Cost must be evolved as a fundamental and flexible approach to our programs—it can be a central management tool and communication channel between DoD and industry.

*Independent Research and Development.* A strongly supported IR&D Program is essential. It must be well directed, mostly by industry, and the benefits must be clearly visible.

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## JUSTICE FOR THE HAVASUPAI

Mr. HUMPHREY. Mr. President, I want to call attention to an issue involving nothing less than the survival of an ancient and honorable American people, the Havasupai Indians of the Grand Canyon area in northern Arizona. Legislation currently pending before Congress could either assure the survival of the Havasupai by restoring to them in trust a modest portion of their ancestral land base, or encourage their dispersal and disintegration as a tribe by denying them the core of the land they continuously used since 700 A.D.

Congress has a priceless opportunity to do justice to this small Indian tribe, whose treatment over the last 150 years by our Government reflects little glory on our Nation. The Havasupai are simply asking Congress to grant them the security that most Americans have—the legal title to their lands. In this case, the land would be held in trust by the United States. This would allow them to make a better life for themselves and their children. The Havasupai desperately need the trust title to this land in order to support their families, safeguard their health, improve their educational opportunities, and maintain their ancient culture and religion.

A basic provision of the Grand Canyon National Park Enlargement Act (S. 1296), which passed the Senate on September 24, 1973, is "to protect the scenic, natural and scientific values of the Grand Canyon." Surely the life of the Havasupai over the last 13 centuries is an authentic part of the natural life of the Grand Canyon. Surely the knowledge of the culture of the Havasupai is worth preserving. To exclude the Havasupai from their ancestral land is not to protect the values of the Grand Canyon. It is artificial. To deny the Havasupai their land is an intervention into the life of the canyon that we cannot allow.

Mr. President, on June 15, 1974, the Minneapolis Tribune published an excellent editorial which discusses the plight of the Havasupai. The Tribune editorial concludes:

> This nation has an obligation not only to protect tribal land rights, but to respect the dignity of a people who have lived near the canyon for more than thirty generations.

I wholeheartedly agree with this position.

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

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

HAVASUPAI CLAIMS TO GRAND CANYON

While this nation is restoring historic battlefields and preparing to celebrate two centuries of independence, a small group of tribal people gathered at the bottom of a canyon is struggling to restore aboriginal title to a small portion of its traditional lands on the plateaus above.

The Havasupai, a people of enormous endurance and peaceful instincts of survival, have been minding their culture and gardens—and in recent times grazing cattle—for over a thousand continuous years. Since the arrival of the white man, their land has diminished from the spacious plateaus to a small plot at the bottom of the Grand Canyon. Three hundred people live there now on a few hundred acres of arable land. They are poor and unable to cultivate enough food to survive in good health, but in spirit they have endured with the belief that the federal government will restore some of their land.

A century ago, the government assumed control of millions of acres of plateau land to protect the Havasupai from the encroachment of independent prospectors and miners. Since then the tribe has been permitted to use portions of its original land for grazing cattle. But year by year, since the creation of the Grand Canyon National Park, the

Havasupai have been excluded from living on the plateau and were driven down the winding eight-mile trail to the bottom of the canyon.

Congress is now considering a measure to double the size of the park—an action which would be a denial of use and title to traditional tribal land. The Senate passed the bill several months ago. The Havasupai are appealing to the House Committee on Interior and Insular Affairs for title to only a fraction of the land they once used. "They are not going to build a dam or put up a factory, or launch a tourist extravaganza," said Edward Kennedy, senator from Massachusetts. "Rather, they are intent upon preserving and protecting the natural, undeveloped and unspoiled beauty of their homeland." Barry Goldwater, senator from Arizona, implored his friends in the House to "correct the bill and insert language which will be proposed for the immediate expansion of the Havasupai reservation."

Alfonso Ortiz, president of the Association on American Indian Affairs, said that the "Havasupais have through the centuries evolved a complex and responsible pattern of everyday usage of the area in question, from gathering medicinal plants and herbs to grazing stock . . . In the name of simple justice they should be granted trust title . . ." The Havasupai have a moral, if not legal, right to land on the canyon plateau. This nation has an obligation not only to protect tribal land rights, but to respect the dignity of a people who have lived near the canyon for more than 30 generations.

## THE PROFESSIONAL STANDARDS REVIEW ORGANIZATION

Mr. BENNETT. Mr. President, the Professional Standards Review Organization program which I sponsored is currently being implemented in over 120 areas of the Nation. This legislation calls for groups of local physicians to review the quality and necessity of medical care provided to patients covered by the medicare and medicaid programs, and to insure that the medical care paid for by the Government will be of the finest quality.

The ongoing meeting of the American Medical Association will be reviewing the PSRO concept, and, in anticipation of this, a recent issue of the magazine Patient Care discusses the growing PSRO debate.

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

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

DO YOU REALLY WANT TO REPEAL PSRO?

Let's say a delegate from your state to this month's AMA meeting approaches you to get some grass roots feeling about the so-called PSRO law (Section 249F of PL 92603). Your delegate weathered the circus atmosphere of last winter's Anaheim convention in which the word "repeal" thundered into the group's policy statements and which seems to be reverberating more widely in AMA circles since then. At the same time he is mindful that last month the American Society of Internal Medicine reaffirmed its position, which essentially calls for an orderly implementation of the law and at the same time seeks modification of those portions it finds objectionable.

The American Academy of Pediatrics came out with a similar statement in April, he notes. And in February, the trustees of the American Academy of Family Physicians urged a policy of "constructive amendment" on its members, reserving working for repeal as a last resort if the current law proves to be destructive to the peer-review process, is unreasonably costly, or hinders patient care. At the same time, the AAFP expressed strong concerns about the law, being especially vigorous in its stand that local decisions prevail.

Your delegate is concerned whether the stands of the major primary-care groups represent the rank-and-file opinion—or whether in fact the AMA policy does—or whether none of them do. So he asks you, as a spokesman for your peers, whether or not you and they are for repeal. How would you advise him as he heads for a showdown in Chicago late this month?

You might start by asking him about the consequences of repeal.

On this score, we were frankly impressed with the calm and sensible approaches taken by the ASIM at their recent meeting in San Francisco—not only in their public policy statement, but in their reference committee meetings and corridor conversations. For instance, William R. Felts, MD, a trustee from Washington, D.C., pointed out that it's not a case of either you have PSRO or you don't, and if the law is repealed, life doesn't simply revert to voluntary peer review. Alan Nelson, MD, a Salt Lake City internist who sits on the National Professional Standards Review Council, observes that the Government is intent on having what we call PSROs, law or no law, and it would trot out a couple of other mechanisms in the unlikely event of repeal. One is an intensification of the fiscal review processes now used in Medicare and Medicaid claims processing; the other would be the establishment of some sort of "National Health Commission" to review claims.

The commission has been a pet of Ralph Nader's and was a feature of earlier versions of Senator Kennedy's national health bill, although the Senator has modified his stand recently. By the way, all national health insurance proposals include PSROs.

The next question your delegate might want to address is whether these or any other alternatives are better or worse than the current legislation. One advantage of section 249F is that it has a stronger element of physician control than other Government review mechanisms. Should the Government pursue the alternative of intensifying the current claim review procedures, it would simply foster the interests of the entrenched forces now passing on Medicaid and Medicare claims. According to some observers, these people are zealously trying to protect established fiefdoms. A paradox of the repeal movement is that it would play into the hands of those claim-control mechanisms. A drawback to the present law is that after 1975 the Secretary of Health, Education, and Welfare can turn to groups other than physicians to conduct PSROs, but he is advised to give first choice to physician organizations.

Another question concerns whether the "H" of HEW is the best Government agency for peer review (assuming that an alternative of "no agency" is unrealistic). Again, the present law, despite its deficiencies, offers an answer worth considering because it is most easily oriented to performance review rather than cost review. Interestingly enough, the powerful Senate Finance Committee is among those groups that are seriously considering turning PSRO over to the Social Security Administration. One reason is the Senators' interpretation that physicians are resisting the present law. When large medical organizations like ASIM and AAP quietly endorse the concept of peer review, the public pays little mind, but when doctors resist review procedures—as they did at Anaheim—it makes the first page of *The New York Times*.

You might challenge your delegate as to whether working for repeal is even realistic; most observers feel there isn't much of a chance to pull the law of the land off the books. Hence, the energy he expends in what is probably a lost cause is counterproductive. A better use of this activity is to make sure there is physician input as the regulations are written. The law exists; the final regulations and amendments do not. If the physicians aren't involved in the implementation processes, you can be sure bureaucrats will fill the void.

Is it realistic to expect physicians to have clout with the Government?

The preadmission certification hassle under PSRO is a case in point. Although preadmission certification would put an undesirable element of cost control into the process, it is at present just an optional feature that each PSRO might utilize as it wishes. The reason that it is no longer an integral part of the law is interesting and bears on the other points: Physician groups contacted Secretary Weinberger and explained their objections to preadmission certification with the request that the pertinent regulation be withdrawn; a couple of months ago it was. You still hear about preadmission certification in Washington, however, because groups that do not represent the Office of Professional Standards Review continue to talk it up. They'll continue to do so if physicians are not involved in managing the review program.

Finally, ask your delegate whether he feels it's worth giving the present law a chance before marshaling forces to scrap it. If he's interested, you might suggest he investigate current models in states like Washington and Utah. In both of those states, where doctors have had a couple of years to live with PSRO-like performance review programs, doctors are overwhelmingly supporting the law.

Moreover, groups in at least 44 states are going ahead with some implementation. In the state of Washington, physician-leaders have taken a positive action that might be especially interesting to readers of this magazine: Leaders of the Washington Society of Internal Medicine and the state Academies of Family Practice and Pediatrics have banded together to form a primary-care block to make sure that their influence and interest are felt.

Given these facts, we think we can anticipate how your delegate might vote.—PH.

## COURAGE IN CINCINNATI

Mr. METZENBAUM. Mr. President, a genuine act of courage seems so rare these days that when you hear about one, you would like everyone else to hear about it too.

A good and wise man, Judge Paul F. George of the Domestic Relations Court of Hamilton County, Ohio, recently wrote me about a heroic act which I would like to share with other Senators.

In Cincinnati on the evening of Friday, June 1, John Arnett, who is white and 16 years old, rescued David Hall, who is black and 10 years old, from drowning. What is a little extraordinary about the story is that John came to David's rescue when John was passing by a swimming pool which had been closed for the day. David was reportedly pushed, fully clothed, into the pool by a group of older boys, who stood by while he sank. John not only risked the anger of the boys who pushed David into the pool, but clearly had little thought for his own safety, since he himself was fully clothed when he jumped into the water to save the younger boy.

Judge Paul George and members of his staff have recognized John Arnett's cour-

age by presenting him with a $100 savings bond and gift certificates for clothes. Mr. President, I too would like to give recognition to John Arnett, by asking unanimous consent that an account of this young man's heroism, which was published in the Cincinnati Enquirer, be printed in the RECORD.

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

TOLD NO ONE OF LIFE-SAVING FEAT: BECAUSE HEROIC JOHN ACTED, DAVID IS ALIVE

(By Carin Condon)

Ten-year-old David Hall sank helplessly in the deep end of the city swimming pool in English Woods while a group of older boys was said to have just stood by and watched.

But fortunately for David, someone else was watching, and decided to do something.

John Arnett, 16, 1949 Knob Court, was taking a shortcut home past the swimming pool Friday evening when he noticed several boys inside the pool area, which had been closed for the day.

He said he saw one of them push the 10-year-old boy into the deep end and then heard another say he couldn't do anything to help because he was wearing new clothes. John, clothes included, climbed the fence and jumped into the water. David was under water when he reached him and John had to pull the boy out of the water and start his breathing again.

"If I were rich I'd give him a big reward," Mrs. Juanita Hall, 1721 Bleecker Lane, said. "But there's not enough money or words to express my appreciation."

John was very modest about his lifesaving feat, his mother, Mrs. Barbara Arnett, said. In fact, he never even mentioned it to her. "Some of the other children told me and then I more or less had to drag it out of him," she said.

It was not until Saturday evening that Mrs. Hall learned who had saved the youngest of her four children. After meeting John she said, "To talk to him he's a wonderful person. It's the most wonderful thing I ever heard of.

"He told me he and David were friends," Mrs. Hall said. "I think this speaks very well for the white race when there were black boys standing around who could have helped." David is black. John is white.

Because John didn't stand around, David is alive. "He didn't stop to think about it. He just did it," Mrs. Arnett, who has eight children, said.

"I'm proud of him anyway but when something like this happens I'm more aware of it," Mrs. Arnett said.

She wasn't the only proud mother Saturday evening. Mrs. Hall said when she saw John she was "so proud of him tears came to my eyes and I just wanted to grab him and kiss him. I couldn't find words.

"The 24th is his birthday and we'll always remember that date and keep in touch with him and his family even if we move from here," Mrs. Hall said.

## YANKEE INDEPENDENCE

Mr. MCINTYRE. Mr. President, a few months ago the residents of Durham, N.H., voted in town meeting to keep an oil refinery out of their town. The New Hampshire Legislature later reaffirmed the right of home rule for townships within the State.

These actions demonstrate the independence of New Hampshire citizens and the openness of their local political institutions. In an article on June 3, 1974, in the New York Times, Herman Hauschel, a resident of the seacoast area of New Hampshire illustrates the Yankee spirit upon which effective local government is built.

Mr. Hauschel states:

Outside of New England, it's not always known that each town is a little republic where town affairs are decided at a town meeting; there, everybody has a right to express his opinion—and does.

To help explain the operation and spirit of New Hampshire local government, I ask unanimous consent to have Mr. Hauschel's stimulating article printed in the RECORD.

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

NO SALE, MR. ONASSIS

(By Herman Hauschel)

NEWMARKET, N.H.—I've been asked why I will not sell my farm and golf course—620 acres—to Olympic Refineries, Inc., which is controlled by Aristotle Onassis. Let me explain.

We are the third family to own this property. The house was built in the late 1600's and came into my wife's family in 1710. Around 1750, the settlers here had a difference of opinion about some white pines marked with arrows. The King of England said they were his; the settlers said, "It ain't so," and chased the Royal Governor and his sheriffs out of town. Some ended up in the nearby Exter River. We kept the pines.

By the time of the Revolution, the house was already over 100 years old. Timber—white ash and oak—for the 74-gun warship America, built at Portsmouth, N. H., came out of the Ash Swamp, which is part of our farm. Total cost of timber: $48.23. Construction was supervised by John Paul Jones and the ship's captain helped build it.

We came here from Germany in 1926 and a year later bought the farm from my wife's relatives, the Bracketts, who would sell only to family. I didn't care for city life. It meant plenty of hard work on the farm, but the entire house is now authentically restored. The only major architectural change took place before we owned it: a double window had to be built to remove a 560-pound ancestor who died and was too large for the door.

We built our own memories over the years, working the land and raising our children. Our vegetable gardens provided food, especially during the Depression. Later, we expanded to dairy farming with a fine herd of registered Ayrshires; we raised our own hay and sold some. To produce good hay, the poor soil had to be enriched; this I did by plowing, reseeding, and adding compost and lime until it was right.

We have our own spring-fed well, and our own woodland. Every year for years, my two sons and I planted 1,000 white pines. I have my own sawmill, from which we get lumber for construction and fireplace fuel for our family and golf course. I practice yearly selective cutting; this not only controls the rate of cutting, but removes inferior trees so those remaining can receive more light, air, sunshine, and room to grow properly, thus steadily increasing the quality of timber.

In 1961 we phased out the dairy farm and bought the Rockingham Country Club, a golf course adjacent to our land and originally a tavern and stagecoach stop. The whole family works at the course. My wife, Gertrude, runs the lunchroom, including cooking; my son Bruce is the teaching pro and runs the pro shop and bar; my son George is the superintendent in charge of grounds and maintenance; and I do a little of everything, from mowing fairways to building additions. In recent years we have developed our own turf nursery for the golf course. Again, selective cutting, rather than stripping the land, insures that the turf nursery will replenish itself.

You can see how much of ourselves we have invested in the land and property, and why I do not want to sell. New Hampshire is the Granite State and our famous landmark, the Old Man of the Mountain, is formed of that granite. Our state motto is "Live Free Or Die," and we live by it. Here in New Hampshire, we seldom make news. But we make history. Outside of New England, it's not always known that each town is a little republic, where town affairs are decided at a town meeting; there, everybody has a right to express his opinion—and does.

If Mr. Onassis' refinery is built, the oil will have to come in by airplane! If he shows up with a fleet of oil-tankers, I hate to think what a bunch of New Hampshire lobster boats would do to them. It would be worse than what his great-grandpappy did to the Persians at Salamis in 480 B.C.!

Now the main reason why I won't sell: I like it here. This is home. We are grassroots people and we love our land. Not everybody has a price. Money is not everything. What price can you put on your freedom? If a man has what he needs to be happy, then he is already rich.

## S. 2848—THE ALCOHOL, DRUG ABUSE EDUCATION ACT AMENDMENTS OF 1974

Mr. STAFFORD. Mr. President, I rise in support of passage of S. 2848 which has been reported by the Committee on Labor and Public Welfare to extend and improve the Drug Education Act of 1970.

This bill would authorize $90 million over a 3-year period and is intended to carry on the program started by the 1970 act.

I commend the Senator from Iowa (Mr. HUGHES) for his diligent efforts in this area. This law is a testament to his efforts to help those in our country who suffer from drug abuse or alcoholism.

This legislation is important because it will continue the provision of educational services, counseling, and crisis intervention programs which have been set up by the 1970 act. Our failure to provide this clear legislative mandate to the Office of Education would destroy this program at both the Federal and local level. It would cast the alcohol and drug education programs into an obscure role which is not the intent of Congress.

Mr. President, I would like to bring to the attention of my colleagues a letter I have received from "The Next Thing," a drug education project located in Burlington, Vt.

I ask unanimous consent that this letter and copies of letters written to the project be printed in the RECORD at the conclusion of my remarks.

I think the material sent by "The Next Thing" demonstrates the need and concern of many people in this country for quality drug education projects. It is my hope, Mr. President, that after the Congress has spoken on the matter, the administration will change its posture and begin to fund and stimulate the program so that many Americans can be helped to avoid the problems caused by alcohol and drug abuse.

Thank you, Mr. President.

There being no objection, the mate-

rial was ordered to be printed in the RECORD, as follows:

THE NEXT THING,
*Burlington, Vt., June 14, 1974.*

Senator ROBERT STAFFORD,
*Dirksen Office Building,*
*Washington, D.C.*

DEAR SIR: We are writing in reference to Bill S-2848, Extension of the Drug Abuse Education Act of 1970. It is our understanding that the intent of this bill is to continue projects established under the Drug Abuse Education Act of 1970 and that the funding appropriated would be made available for the fiscal year ending June 30, 1974.

We have been informed by our HEW project officer that our program will not be refunded. It is our understanding that the HEW guidelines for the money appropriated would not be made available until next spring and the funds at that time would be used for training grants. It is not in their guidelines, as we understand, to continue demonstration projects. If our understanding is correct, the many projects funded under the Drug Abuse Education Act of 1970 will come to a halt unless other means of funding are found.

Our program, The Next Thing, in Burlington, Vermont, last year served over 4,700 citizens of the Greater Burlington community. We have worked both in public and private schools and colleges offering training for teachers and programs for students; we have presented community workshops in the alternatives area and helped to organize People Who Care Groups dealing with drug problems. We have conducted drug pharmacology sessions for nurses, training for teachers and drug counseling for anyone seeking it.

We believe that the success of our program is due to our philosophy. We think that drug abuse often represents an effort to fill human needs that are not being adequately met by our society. We are a process rather than a project. A process that offers a fresh approach to problem solving and program development to help people find a better way than the drug route to experiences of well-being and fulfillment, adventure and commitment.

Educating people in the pros and cons of drug use, together with offering them alternatives and decision-making training, enables them to meet their needs through less destructive forms of behavior than drug abuse, and builds a base for them to make an informed choice about personal use of chemical substances.

It is indeed sad that drug treatment programs have been increased substantially, while drug education and prevention programs are being reduced due to changing governmental priorities. In our opinion, it seems more beneficial and productive to attack possible problem situations before they develop. Treatment programs can only be an effective investment if they are complemented and supported by drug prevention and education programs.

If programs such as ours are discontinued, what will happen to the millions of citizens all over the country who have come to depend upon their own particular project. In our community alone we have dealt with over 4700 citizens in the past year. Our program has worked extremely hard to develop community recognition and acceptance. Our community has come to see us as a very effective and needed program. The discontinuation of our program would most definitely create a gap in community services. Our three years of existence have been that of trial and error, constantly trying to improve our program to better service the needs of the community. Through this approach our program has constantly grown, both in depth and in the number of people we can reach. We have been diligently trudging through the dark, seeing brightness only here and there. Our path is much more definite now. We know what is effective and what is not. We know how to reach people from different socioeconomic levels. We can be more effective in the next three years than ever before. We are prepared to continue our community education programs on drug and alcohol abuse, have developed inservice and preservice training programs for teachers and social workers, and will continue to develop "creative primary and early intervention programs" in the public schools.

We are enclosing a sample of statements of support we have received from teachers, students, community members and other projects we have been working with.

We strongly urge you to amend S-2848 to specify that programs such as ours will continue to be refunded under the Extension of the Drug Abuse Education Act of 1970 and that those funds will be made available July 1, 1974 so that all projects may continue and not suffer from funds being held back.

Respectfully yours,

BERT BUTLER,
*Director.*
NANCY KOCH,
*Associate Director.*
BEVERLY FRENETTE,
*Volunteer.*

---

APRIL 1, 1974.

DEAR BURT, JIM, DAN, STEVE, NANCY, BEV, KEN, AND KAREN: I'd like to thank all of you for opening up my mind to the meaningful and true aspects of life.

These past two days have been a beautiful experience which I'll remember throughout my entire life. My mind is bubbling over with joy. Now I feel like reaching out with warmth and understanding, and letting the real me shine through.

I feel rather sad as I think that I have left your warm and secure circle only to return to the harsh society.

I've been trancing-out at least twice a day, and it's fantastic. My mother asked me why I'm so happy. You've restored my faith in man kind.

Would it be possible to see you again? Maybe you don't even remember me. I came with the group from Essex with Mrs. Kish and Miss White.

As I read this letter over I see that words cannot express my true appreciation for all you have done. Thank you once again.

With Love shining through,
STEPHANIE ABBOTT.

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I really had a lot of fun. I went to the workshop not knowing very much at all but after the two days I left feeling happy and full of information about things I never did understand. I really learned a lot. Now when I am nervous and have to think I can calm myself down and go into a trance and come out feeling happy and relieved and know the answer to what I was thinking about. It really works and I am so much happier because of learning in the workshop how to go into a trance. I now can solve my problems easier and not be so nervous and meditation helps a lot in this way too. I never knew how to really meditate but now that I do life is all the better for me for knowing. I liked the trust walk, and trust lift very much because I am a quiet person and did not trust many people but these taught me that I can trust people if I really want to. The fantasy trip was really wonderful and I really got into it. It relaxed me so much. I did many other marvelous things and all in all those two days to me were the best spent days of my life; they helped me to understand and trust people and I learned an awful lot of information that I had been wondering about. I really enjoyed it when we got in the small groups and discussed what was going on; they are a good idea, because in a big group you do not learn that much because either you can not hear or see what is going on. I would like to go on a lot more workshops.

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FIELD TRIP TO UVM

I had a really great time at UVM those two days. I only wish it could have been for longer, not to get out of more school but so that we could have had more electives than just two and also everyone was just getting to know everyone so well! Everyone, *everyone* was so friendly and really quite cooperative. The leaders put you right at ease and were very entertaining and instructive at the same time. I had a very warm feeling from the time I got there to the time I left. Even when I had been out, for the next couple of days I was more nice and more friendly to everyone. It put me in such a good mood, knowing that there were still such good people in the world to take us in for two days, for free and help us understand all those things. It was so interesting.

I did not expect anything nearly that good. I think it really turned out great. The Closing Circle had a great sad effect on me. Beautiful, though. It was such another world, that place, I wasn't even in a hurry to have lunch or to leave, I dreaded leaving.

If the community won't pay for next year, it will be because they haven't experienced it, the only way you can know is by experiencing it. Other people had told me about it, but the feeling I got, then, compared in no way to the feelings I have now. I loved it. That's about all! Also, I learned a lot about my mind and my feelings toward others and theirs. I learned ways of relaxing to a point I'd never known besides sleep, which sometimes isn't all that relaxing. I learned to *like* a person's touch. (Sometimes I get in the mood when I cannot stand any contact with others. I think I'm over that a lot.) I learned that some of the people I didn't like weren't so bad after all! I just learned more about sharing—sharing thoughts, moods, feelings, food, enjoyment, laughter, interest, bus seats and almost anything else that I possibly could learn. I learned and experienced a lot of things I'd never known were possible. But, if I ever get a chance to go there or do something like that again, I'm surely going to (*Even* if it is during my days off, on a Saturday or something!)

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APRIL 1, 1974

To the U.S. Government.
To the Big Guy behind his desk.
And to the Next Thing (Horrah!)

"I was overjoyed; facinated; intrigued; opened; curious; overwhelmed; surprised; etc., etc. They were the most fulfilling days I've had since I'd begun High School." quote—unquote (by me.)

Alvin Toffler once stated, "Not all learning takes place in the classroom." How true? (This guy facinates me . . .).

Alvin also stated, "I am convinced that most of our schools of today are tooling up students for yesterday's world instead of tomorrow's."

The Next thing teaches out of formal classrooms, plus, "tools" students for tomorrow. Tomorrow's world lies in the mind, and the Next thing is a school of minds. School?

Define School: A building with metal, plastic and wood seats. Including Teachers, Students and Administration. (Sp?) Persons age 16 & under to age 6 Must attend—By law, by that definition, the Next thing is *not* a school.

The Next thing is a way; a place to learn. *Life comes before Math. Real Survival comes before formal Education.*

So what could possibly stop the teachings of life, and Survival? Surely not. *The Government.* Surely not Mr. Executive. Certainly not money!

People keep on realizing what lies beyond an 8 hour day of work.

Nothing will stop this "new" trend.

I'm too young to fight to the finish, but I'll try. Nothing stops the willing.

I've struck again—
from Me Remember?

KARIN DAVIS.

P.S.—*This is no joke.*

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SEVANTON, VT., *November 25, 1973.*

DEAR BURT AND JOHN: You have asked me for an evaluation of the day you spent at BFA, on November 8. I can speak only for the two classes I had.

I can say that the results of what you did were fantastic. The amount of participation and cooperation you got from the kids was incredible. Your approach was quite straightforward, honest and open. The kids sensed this right off. You knew how to involve everyone. Changing seats in the class was one of the keys, I think. By moving around, each person was completely "on his own", ready to explore himself, the "new others" around him, and do his own thing freely.

A characteristic of the community is a fear of being people with feelings, breaking barriers down.

To discover what it means to be a person and like, yet not like, everyone else is a neat experience. To do this freely is really getting off naturally. Maybe, for the first time, some of these kids discovered what it means to be naturally high to them. I can say that the whole feeling of happiness permeated the rest of the school. I had a few kids in class later on in the day. They came in with big smiles on their faces! It was the first time I saw my second period family living class relate to each other as a group. Many said the next day that they felt closer as a group. Even though you didn't do as many active things first period, the spaceman idea was a success. This was my class with the most serious personal problems. They showed some good insights. They also like to talk! They also spread the "good" word throughout the day about the class.

There is only one thing you missed. Not all of my second period class knew what you were trying to do. I clarified with those people the next day. Once they knew your intent, they said they did feel happier. The introduction to that class was brief. Part of it may have been my fault.

I'd like to put in a personal comment. I was so happy with those two classes. If anything went wrong during my other classes, it didn't even bother me. The other teachers, who were substituting during the day, said they enjoyed the class, too.

Thanks again for all you did!

Sincerely,

LOU ANN FOURNIER.

P.S. As soon as I find out where our December 6th meeting is, I'll let you know.

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HOWARD MENTAL HEALTH SERVICES,
*Burlington, Vt., May 15, 1974.*

THE NEXT THING,
*Counseling and Testing Center,*
*Burlington, Vt.*

DEAR BERT: Recently someone from TNT mentioned to me that I might write a letter of support which could be used in your effort to secure continued funding. I am happy to take this opportunity to do so.

As you know, the Next Think has been a valuable resource to me in my work as a Regional Drug Education Coordinator. I have many times referred community groups and school personnel to TNT as an excellent resource for alternative high programs. The Next Think is the only organized group in the state providing comprehensive, high quality training in a wide variety of alternatives to chemically induced highs. Such alternatives are critical for successful drug abuse education and prevention efforts, especially among high school age people. I think the St. Albans program of 6 weeks of training for a group of high school students and drop outs was an excellent example of TNT's providing a much needed resource for a community in which I and others were attempting to organize an effective drug abuse prevention program.

The workshops organized by TNT for the greater Burlington area are another aspect of your program I would like to praise. As both a participant in and leader of various evening sessions, I have learned and grown as an individual and involved person. Once again, no other organization that I know of in Vermont offers anywhere near as much, open to all, at little or no cost, as TNT through the ongoing workshops.

Finally, I would like to note that if John McKenna, Bruce Levine and Mark Gabriel, to name only a few, are any indication of the kind of persons and growth potential association with The Next Think offers, it would behoove all who could to join TNT for a time. The Next Think is internally and externally a very significant education and human growth organization which I fully endorse and support.

Yours in peace,

STEVEN M. GOLD.

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PEOPLE WHO CARE,
*St. Albans, Vt., May 1, 1974.*

DAN MAYER,
*The Next Thing, Counselling And Testing Center, University of Vermont, Burlington, Vt.*

DEAR DAN: It is my pleasure as co-director of People Who Care to write this letter of appreciation.

It was with the aid of your organization that we were able to put on two programs aimed at community education about drug use and abuse. In terms of success, the Elm St. School program is still functioning and on-going with great enthusiasm from those involved.

If we were able (and in my opinion we were) to educate a few people to be able to communicate more constructively and if we have provided some of the youth in this community with alternatives to drug use and abuse then we have been successful and you and your organization have played a major role.

It is with sincere apperication that I am writing to you.

Thank you once again,

MICHAEL S. SPIVACK,
*Codirector.*

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THRESHOLD, *May 7, 1974.*

Mr. DAN MEYER,
*The Next Thing, University of Vermont, Counseling Center, Burlington, Vt.*

DEAR MR. MEYER: I am writing in support of The Next Thing and its very competent staff. In my opinion your organization provides necessary and unique programs which benefit the people of Northern Vermont.

I have had the opportunity of working in collaboration with the staff on a number of projects and personally observing the positive effect of your services.

It is obvious to me that these services might not be offered if The Next Thing did not exist and I believe that this would cause a real gap in service delivery for the entire community.

If there is a way that I can further demonstrate my support please do not hestitate to let me know.

Sincerely,

MICHAEL SCHAAL,
*Director, Day Center.*

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ESSEX JUNCTION EDUCATIONAL CENTER,
*Essex Junction, Vt., May 15, 1974.*

TO WHOM IT MAY CONCERN: Our course in Human Relations has as its first unit, mental emotional health, accent on self.

Bev Frenette gave our classes a real boost by demonstrating and having us actually participate in mood modifying exercises, a definite substitute for self pity and/or drugs.

To trust and to be able to relax, take time to enjoy rest, free of tension, seemed to be her message, and I know, by the response, that she was accepted here.

Sincerely,

BARBARA REED,
*School Nurse Teacher.*

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CHARLOTTE, VT., *May 4, 1974.*

THE NEXT THING,
*University of Vermont,*
*Burlington, Vt.*

TO WHOM IT MAY CONCERN: I am writing to express my support for The Next Thing and to urge that their funding continues.

The Next Thing is an effective community resource reaching a broad cross-section of people from high school students learning about alternatives to drug usage, to middle aged and older exploring new directions in their lives and growing in new ways. With the help of the workshops I have attended, I feel I have become more aware of myself, my interactions, and various alternatives available to me. Another valuable aspect has been new friendships and contact with other community resources. The workshop facilitators have been competent in terms of group processes, and knowledgeable in their speciality areas.

I would view the cessation of the Next Thing's services as a substantial community loss and I hope they are granted continued funding.

In good health,

SUSAN K. WISEHART.

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PEOPLE'S FREE CLINIC,
*Burlington, Vt., May 17, 1974.*

NANCY KOCH,
*The Next Thing, UVM Counseling and Testing Center, Burlington, Vt.*

DEAR NANCY: I am writing on behalf of the clinic in support of The Next Thing. It seems to me that your organization is a valuable community resource to much of our clinic population who use its various workshops in dealing with their own frustrations and as outlets for their feelings both positive and negative. I feel that it is necessary for the Free Clinic to have a place such as this to direct patients toward. In general, I think that the health of a community is directly related to its mental state, that is the sense of belonging and purpose of its members. Since we have been seeing fewer drug-related problems, I take this as some measure of your success in instilling that sense of purpose.

I would hope, therefore, that your program would be continued in the future.

Sincerely,

RICHARD H. BERNSTEIN, M.D.

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COLCHESTER JUNIOR HIGH SCHOOL,
*Colchester, Vt., April 16, 1974.*

Mr. BERT BUTLER,
*University of Vermont, Counseling and Testing Center, Burlington, Vt.*

DEAR BERT: Thank you for the "next thing" materials. I've distributed them.

I enjoyed your visit here too! I hope we'll have a chance to work together again.

The kids were very excited about their day with you at Living & Learning. Thank you for making their world a little larger.

Sincerely,

DOROTHY S. BROWN (Ms.),
*School Counselor.*

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## MENTAL HEALTH ACT

Mr. HART. Mr. President, the Congress is debating national health insurance, and the Senate will shortly have before it a bill to provide direct access to psychologists and optometrists under the

Federal employees health insurance program. I would like to take this occasion again to call to the attention of my colleagues a mental health bill, S. 1375, I introduced in conjunction with Congressman MICHAEL HARRINGTON of Massachusetts. While we did not pretend the coverage was complete, or the form final, it does provide for a comprehensive program of mental health care by psychiatrists, psychologists, and other trained professionals. Our purpose was to stimulate debate and to call attention to the critical need for mental health care as priorities in health care and insurance are established. With that purpose in mind, I ask unanimous consent to have printed in the RECORD my remarks on introducing S. 1375 and also the text of the bill.

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

By Mr. HART:

S. 1375. A bill to provide adequate mental health care and psychiatric care to all Americans. Referred to the Committee on Labor and Public Welfare.

Mr. HART. Mr. President, it has been estimated that as many as 20 million Americans may suffer from mental illness.

If those projections applied to a physical disease, this country would declare a national emergency and would launch some sort of crash program to conquer mental illness.

Despite the absence of such a declaration, public awarenes of mental illness is growing, and we are learning that it is a disease which afflicts many people in various ways and which often can be successfully treated.

Proof of this growth in public understanding is the fact that many health insurance programs now cover treatment and hospitalization costs resulting from mental illness.

However, I think it fair to say that mental health still does not receive the priority attention given other types of health care problems.

Of course, one might argue that, in the face of complaints about the rising cost of medical care, the distinction is not worth making.

However, as we look toward the day, not too distant, I hope, when we will have some type of national health insurance program to insure adequate medical treatment, regardless of an individual's income for physical disorders, we hear too little discussion of providing the same opportunities for adequate mental health care.

For that reason, I introduce today a bill, admittedly far from complete, to provide mental health care for all Americans in need of such care.

The bill does not address itself to cost or how the program will be financed. Hearings will provide better answers than I to these questions. I offer the legislation not as a solution, then, but as a vehicle for discussion.

The sooner such a discussion begins, the sooner the Nation will arrive at satisfactory answers as to how best insure that our system of health care provides adequate treatment for all types of illnesses.

Certainly I would be remiss if I did not give full credit to Congressman MICHAEL HARRINGTON of Massachusetts for taking the initiative in this matter. The bill I am introducing is taken from legislation prepared by Congressman HARRINGTON which he will introduce today in the House.

S. 1375

A bill to provide adequate mental health care and psychiatric care to all Americans

*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 "Mental Health Act of 1973".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds that—

(1) 10 per centum of all Americans will eventually suffer from severe mental illness;

(2) Americans suffering from various forms of mental illness have the right to adequate health care regardless of cost, but in fact have long been discriminated against in the provision of health services; and

(3) in the 1970 total releases from mental institutions exceeded total admissions for the first time.

(b) It is the purpose of this Act—

(1) to provide adequate mental health care for all Americans; and

(2) to end the discrimination between mental health care and other forms of health care.

TITLE I—MENTAL HEALTH BENEFITS

ELIGIBLE INDIVIDUALS

SEC. 101. Every individual who is a resident of the United States, or who is a nonresident citizen of the United States, shall be eligible to receive the benefits provided by this title.

SCOPE OF BENEFITS

SEC. 102. (a) The benefits provided to an individual under this title shall consist of entitlement to have payment made on his behalf, without limit as to amount or duration, except as specifically otherwise indicated in the relevant provisions of this section or section 103, and without the requirement of any payment or contribution by him for—

(1) psychiatric hospital care;

(2) psychotherapeutic care;

(3) prescription drugs;

(4) psychotherapeutic home care;

(5) day mental hospital care;

(6) night mental hospital care;

(7) halfway house care; and

(8) community mental health center services.

(b) Payment of such benefits shall be made by the Secretary in such manner and form, and upon such application and submission of such proofs of entitlement, as may be specified (consistent with the provisions of this title in the regulations prescribed under section 109) and shall be calculated on the basis of the reasonable cost of the care and services involved or the reasonable charge therefor or on such other basis as the Secretary may determine in accordance with the regulations prescribed under section 109 to be appropriate except that the recipient of halfway house care shall contribute 100 per centum of cost, not to exceed 25 per centum of his income, for such care.

DEFINITIONS

SEC. 103. For purposes of this Act—

(a) The term "psychiatric hospital care" means all care and services provided to an individual in a psychiatric hospital which meets the conditions specified in section 104 (a). Such care shall be limited to a period of ninety days during any benefit period, except that at the request of such individual's physician an additional thirty-day period of care may be allowed if a utilization review board (established and functioning as required by section 104(a)(9)) determines that such additional period of care is necessary. Further extensions may be granted by the utilization review board but not less often than every thirty days.

(b) The term "psychotherapeutic care" means all visits made by an individual to a psychotherapist for mental health care or treatment which is of an active preventive, diagnostic, therapeutic, or rehabilitative nature, except that the number of such visits for which payment may be made during any benefit period shall not exceed twenty unless the physician to whom the visits are made is participating in a group health program approved by the Secretary.

(c) The term "prescription drugs" means drugs and biologicals for which a physician's prescription is necessary, which are prescribed by a physician as an integral part of an individual's psychotherapeutic care or treatment, and which are sold or otherwise provided by a registered pharmacist at a price not exceeding by more than 10 per centum the cost to the pharmacist of providing such drugs or biologicals.

(d) The term "psychotherapeutic home care" means all home visits made to an individual by a licensed psychotherapist or by qualified staff members of a mental health clinic or comprehensive mental health center approved for purpose of this title by the Secretary.

(e) The term "day mental hospital care" means all care and services provided to an individual in an institution, approved for purposes of this title by the Secretary, which is primarily engaged in furnishing psychotherapeutic treatment and psychiatric hospital care and services during daytime hours to patients but does not provide them with twenty-four-hour accommodations, subject to the same ninety-day limit (with additional coverage upon a finding of medical necessity) as is provided under subsection (a) of this section with respect to psychiatric hospital care.

(f) The term "night mental hospital care" means all care and services provided to an individual in an institution, approved for purposes of this title by the Secretary, which is engaged in providing psychotherapeutic treatment, sleeping accommodations, and related care and services during nighttime hours to individuals who are not patients in the institution on a twenty-four-hour basis but who engage in employment or other activities on a regular basis during daytime hours, subject to the same ninety-day limit (with additional coverage upon a finding of medical necessity) as is provided under subsection (a) of this section with respect to psychiatric hospital care.

(g) The term "half-way house care" means the care furnished by—

(1) those institutions providing a transitional residence for patients who have been released from hospitalization and who have been accepted for half-way house treatment at the recommendation of their physician and which recommendation has been approved by the utilization review board and who can leave the half-way house for autonomous living within the community and who can be trained to maintain themselves productively in a community;

(2) those institutions that provide long-term living arrangements for patients who have been released from hospitalization and who have been accepted for half-way house treatment at the recommendation of their physician and which recommendation has been approved by the utilization review board and who require permanent substitution for hospitalization and who can be maintained in the community with continuing supporting help; and

(3) any institution to any individual (whether or not such individual has been hospitalized) if the care is furnished at the recommendation of the individual's physician and such recommendation has been approved by the utilization review board.

(h) The term "community mental health center services" means all care and services provided to an individual in the central facility of an agency or organization, meeting the requirements of the Community Mental Health Centers Act and approved for purposes of this title by the Secretary, which is engaged in making available through such a facility to at least a substantial proportion of the residents of the community where such facility is located a comprehensive program of mental health care and treatment.

(i) The term "Secretary" means the Secretary of Health, Education, and Welfare.

(j) The term "provider of care and services" means a hospital or other institution or entity (including a psychiatrist or other licensed psychotherapist) which provides care or services of any of the types enumerated in section 102(a) and meets the applicable conditions prescribed in section 104.

The term "psychotherapist" includes a psychiatrist, psychologist, social worker, nurse, or paraprofessional who meets such training and experience qualifications as the Secretary shall by regulation prescribe.

QUALIFICATIONS OF PROVIDERS

SEC. 104. (a) A psychiatric hospital may participate in the program under this title only if (as determined by the Secretary)—

(1) it provides active diagnostic, therapeutic, and rehabilitative services with respect to mental illness, furnishing these services by or under the supervision of physicians;

(2) the Secretary (with the agreement of the Committee on Mental Health) finds it is qualified to furnish active treatment on the basis of staffing and other pertinent factors;

(3) it maintains adequate clincal records on all patients (including reports on the degree and intensity of any treatment furnished);

(4) it is accredited by the Joint Commission on the Accreditation of Hospitals;

(5) it has bylaws in effect with respect to its staff of psychiatrists and other physicians, and has filed with the Secretary an agreement that in granting staff privileges it will not discriminate on any ground unrelated to professional qualifications;

(6) it has a requirement that every patient will be under the care of a licensed physician, and will receive weekly a full psychotherapy session as prescribed by the Secretary upon the recommendation of the Committee on Mental Health, with the ratio of patients to physicians never exceeding forty to one;

(7) it provides twenty-four-hour nursing service rendered or supervised by a licensed registered nurse, and has a registered nurse on duty at all times, with the ratio of patients to nurses never exceeding twenty-five to one during the nighttime hours or ten to one during the daytime hours, and with the ratio of licensed practical nurses to licensed registered nurses never exceeding five to one;

(8) it has a pharmacy and drug therapeutics committee which establishes policies for the selection, acquisition, and utilization of drugs and biologicals;

(9) it has a utilization review board established under the regulations prescribed by the Secretary under section 109 which (A) consists of not more than eight persons, who shall include three members of the general public, one physician, one psychotherapist, one paraprofessional, and two additional members appointed from among other persons in these categories (and not more than two of whom shall be on the staff of the hospital), and (B) meets at least once every thirty days to review the care provided to each patient of the hospital to determine if further care for him is needed;

(10) it has one or more individuals specifically assigned the duty of assuring that the legal rights of the patients are protected; and

(11) it meets all of the conditions specified in subsection (b) of this section.

(b) No provider of care and services may participate in the program under this title unless—

(1) it keeps such adequate records of all care and services provided to individuals eligible for benefits under this title as the Secretary may require;

(2) it has written policies and procedures which provide for a systematic evaluation of its total program at appropriate intervals in order to assure the quality of its care and services and the appropriate utilization thereof as well as the effective administration of the program under this title;

(3) it meets all applicable conditions and requirements of the law of the State and political subdivision in which it is located and all applicable conditions and requirements of Federal law, and (in the case of an institutional provider) meets the applicable provisions of the Life Safety Code of the National Fire Protection Association; and

(4) it meets such other conditions, requirements, and standards as the Secretary (with the agreement of the Committee on Mental Health) may impose in order to safeguard the recipients of its care and services, to assure the quality of the care and services furnished them, and to facilitate the administration of the program under this title.

PAYMENT OF PROVIDERS OF CARE AND SERVICES

SEC. 105. The Secretary shall periodically determine the amount which should be paid under this title to each provider of care and services with respect to the care and services furnished by it, and the provider shall be paid, at such time or times as the Secretary believes appropriate (but not less often than monthly) and prior to audit and settlement by the General Accounting Office, from the Federal Mental Health Trust Fund created by section 110, the amounts so determined, with necessary adjustments on account of previously made overpayments or underpayments; except that no such payment shall be made to any provider of care and services unless it has furnished such information as the Secretary may request in order to determine the amounts due such provider under this Act for the period with respect to which the amounts are being paid or any prior period.

NONDUPLICATION OF BENEFITS

SEC. 106. Notwithstanding any other provision of law, no payments may be made under title XVIII of the Social Security Act, under any State plan approved under title XIX of such Act, or under any other Federal law or program, with respect to any care or services for which payment is made (or could upon application be made) under this title.

ADMINISTRATION; COMMITTEE ON MENTAL HEALTH

SEC. 107. The program under this title shall be administered by the Secretary with the advice and assistance of a Committee on Mental Health which shall be appointed by the Secretary and shall consist of twenty-one members including five psychiatrists, five hospital administrators, five former mental patients, five members of the general public, and the Secretary, who shall be Chairman. The Committee shall be specifically responsible under the direction of the Secretary for the approval of all providers of care and services for participation in the program under this title and for the establishment of the guidelines and qualifications to be applied to any of such providers not affiliated with any specific psychiatric hospital. The terms and conditions of the service of the members of the Committee other than the Secretary, and the manner in which the Committee performs its functions, shall be determined by the Secretary.

AUTHORIZATION OF APPROPRIATIONS

SEC. 108. There are authorized to be appropriated such sums as may be necessary to carry out this Act, including any sums necessary to establish and maintain a reasonable reserve for the payment of benefits under this Act.

REPORT

SEC. 109. The Secretary shall submit annually to the President and to the Congress a full report on the program under this Act, including his recommendations for any improvements or modifications therein.

STUDY OF MENTAL HEALTH INSURANCE COSTS

SEC. 110. The Secretary shall conduct a full and complete study, over a five-year period beginning on the date of the enactment of this Act, of the costs of providing mental health insurance under various conditions and with varying specifications, in order to determine the feasibility of establishing a national program providing such insurance, or expanding the program under this title, and shall submit to the President and the Congress a report on the results of such study together with his recommendations.

REGULATIONS

SEC. 111. The Secretary shall prescribe such regulations (taking into account the comparable provisions of title XVIII of the Social Security Act and the regulations thereunder) as may be necessary or appropriate to carry out the purpose of this Act and provide for its effective administration.

EFFECTIVE DATE

SEC. 112. This Act shall apply with respect to care and services furnished on or after the first day of the first calendar month which begins more than six months after the date of the enactment of this Act.

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## THE CHALLENGE OF FOOD SECURITY DEMANDS NEW LEADERSHIP

Mr. HUMPHREY. Mr. President, this country and the other nations of the world are faced with a challenge which may prove to be one of the most important in the history of mankind. While other issues may eclipse for the moment the seriousness of food security, the significance of assuring an adequate and stable food supply could not be more imperative for the generations which will follow ours.

Throughout most of the world's history, population has grown at only an arithmetic rate. It took almost 2,000 years for the world's population to double from the numbers inhabiting the Earth at the time of Pericles. However, during the 17th century the rate suddenly began to expand geometrically, with the world's population now doubling every 34 years.

Scientists soon realized that the growth of world population and the corresponding growth in consumption of the world's resources threatened to exhaust the world's supply of these resources within a finite period of time. As a result, new concerns arose within the complex of social priorities: planning for balanced growth and conservation of natural resources.

Attempts to curb population growth have fallen far behind the expectations of population planners. In India, for example, the annual population growth rate was 1.4 percent in 1951. By 1974 this rate had climbed to about 2.5 percent.

Adding to these demands on the world's resources was the spectacular rise in per capita consumption of resources. As affluence rose in many countries their citizens began to consume an ever-increasing personal share of the planet's wealth. If life as we know it is to be preserved for our children then someone better begin thinking ahead.

The present century brings upon our policymakers vastly different responsibilities corresponding to vastly different problems. And one of the most crucial of

these responsibilities is protecting the availability of life sustaining resources.

Leaders throughout the world may spend countless hours debating the need for military manpower and hardware. Yet no aspect of national security is more important than the ability of a country to provide its citizens with enough to eat.

Clearly, the challenges of food security require new and innovative leadership. The problems of the future can no longer be met with solutions extrapolated from the past. We must approach food policy in the coming years unprejudiced with our own history.

Characteristic of this type of new leadership is that exhibited by Mr. Daniel Shaughnessy, of AID. I am privileged to know and have worked with Mr. Shaughnessy for several months when he was on special assignment with my staff last fall. With an excellent practical background of field work in India and administrative leadership as head of the donation section of our food for peace program, he brings well-balanced experience to the Office of the Coordinator of the U.S. Participation in the World Food Conference, where he presently serves. It is the combination of experience and innovativeness which must lead the way into a new era of food policies.

Recently Mr. Shaughnessy spoke before the Washington State League of Women Voters. His address provides an excellent appreciation for the new context within which food policies must be developed.

Mr. President, I ask unanimous consent that his speech be included in the RECORD.

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

FOOD POLICY CONSIDERATIONS IN TIMES OF SCARCITY

(By Daniel E. Shaughnessy)

The theme of this occasion is trade and scarcities. This is a large topic, but it is important, and it is timely. After having experienced gas lines; when bakers talk about bread costing a dollar a loaf; when our lights have dimmed because of less power, and when everything seems to cost more than it should, then I think we'd better talk about scarcity and vital trade issues.

Therefore, and within the theme of this meeting, I would like to discuss the subject of food.

We live in a world which becomes more and more concerned about food each day. Housewives and farmers, food processors and commodity dealers, and government officials and international leaders all have specific interests. Food issues are on the agenda of international conferences; they appear in college curriculae; they are the subject of television documentaries, and they are the theme of meetings such as this one. Concern ranges from prices in the supermarket to the need for international food agreements, and the wide spectrum in between; of production problems, consumption levels, the need for food aid, and the importance of commercial trade agreements.

Why the concern?

Well, I am sure you have all heard the vital statistics that are available:

World supplies of grain would last only 30 days if sources of supply were ended;

Next year there will be four billion people on earth:

Several areas of the world are in the midst of severe drought, or have experienced serious reductions in food production, and

The cost of food has risen considerably.

As a result, it becomes necessary to try to evaluate world food prospects over the coming years. I say "try" because, as in most forecasting, there are many uncertainties. It is still difficult to predict the weather; no one knows how rapidly science may be able to achieve breakthroughs in better ways to produce food; and, it is even more difficult to be sure how well people and nations may cooperate in efforts to make more and better food available.

We do know that the task is immense. We have to feed 75–80 million more people each year, and even with more successful family planning programs, this figure will continue to go up for a good many years before it starts to go down. What is important is the fact that this figure translates into a demand, which, at present consumption levels, equals about 25 million more tons of grain each year.

We know that millions of people do not now get enough to eat to keep them healthy or make them fully productive citizens.

We know that nearly all the best farmland is already under cultivation and that most of the readily available water is being used.

We know that somewhere every year, and from time to time in many places, we will experience bad weather or other disasters seriously affecting food output.

We know that for the foreseeable future, a number of the poorer countries with large populations will have less foreign exchange to import food needed to maintain, let alone improve, nutrition levels.

There are some positive factors; we know from the record of the past twenty years that world food production has increased by two-thirds, as a result of the application of research, the spread of new technologies, and investments in agriculture. We have learned from these years that a comprehensive, and reasonably well-financed research effort, followed by expanded investment and extension programs, can contribute to the task of keeping food supplies far enough ahead of population growth to permit real improvements in nutrition. However, we also know that progress will be slow.

These concerns, which have been articulated many times, and which are shared by many individuals such as yourselves, members of Congress and world leaders are critical. Indeed, it was the nature and extent of concern over the world food situation that caused Secretary Kissinger to suggest a World Food Conference in his first United Nations speech last Fall. In his speech, Dr. Kissinger spoke of the problems of global consumption of food in excess of production, and the rapid drawing down of stocks. He further indicated that the food problem was too big for any one country to cope with alone.

The Secretary then asked that a World Food Conference be organized under United Nations auspices in 1974 to discuss ways to maintain adequate food supplies and to concentrate the efforts of all nations on the problems of hunger and malnutrition. He further asked that nations in a position to do so offer technical assistance for improved production of food and said that the United States was ready to join with others in providing such assistance.

Secretary Kissinger's suggestion was endorsed by the biannual meeting of the UN Food and Agriculture Organization held in Rome shortly thereafter, and in December, the United Nations General Assembly formally adopted a resolution calling for a World Food Conference of member governments of the United Nations.

The Conference will take place in Rome in early November 1974 and the Government of Italy will host the meeting. Prior to the November gathering, member governments will participate in three preparatory meetings during the course of the year.

The first of these meetings was held in New York in early February and was attended by more than 70 countries. Its function was to select officers, discuss the provisional agenda for the November Conference, cover other procedural matters, and agree in general on relevant background and assessment papers to be prepared by the Food and Agriculture Organization.

The Second Preparatory meeting will take place in early June in Geneva. Its objectives will be to draft the rules of procedure for the Conference, review the FAO assessment papers and approve the formal agenda.

The third preparatory meeting is tentatively scheduled for late September in Rome. At this meeting, member governments will begin the actual consideration of major issues and finalize any remaining procedural matters.

Agreement on the Conference agenda will be finalized in Geneva next month. It will include, first, an assessment of the global food situation and second, and most important, a consideration of national and international actions that might be taken to address the problem.

Assessment papers are being prepared for member governments on:

1. The present food situation as it relates to world hunger and malnutrition; and

2. The magnitude of the food problem and possible solutions that might be considered.

The possible action items which will be discussed are:

1. Potential measures for increasing food production,

2. The need to strengthen world food security including the vital subjects of food reserves and food aid, and

3. The potential for agreement on international trade and agricultural adjustment as it affects basic foods.

Though these agenda items appear simple in presentation, they are, when broken down into their many subparts, rather complicated and difficult matters.

On its first action item, improved food production, the Conference must address the critical elements involved in raising the quantity and quality levels of food. This will include attention to farm income, consumer prices, storage and transport facilities, fertilizer availabilities, and the relationship of the energy crisis to agriculture production.

The subject of food security, quite frankly, raises the question of just how serious governments are when it comes to making firm commitments on food aid and setting food aside in reserves or stockpiles. These items will be of particular concern for the United States, since the food reserve issue is very controversial, and while we have been a leader in food aid, the quantity of such aid from the United States has diminished steadily over the past few years. In short, will the United States be prepared to commit itself to firm, continuing levels of food aid and to some system of maintaining food reserves? In my opinion, our answer to this question will be the basis for either substantial or superficial United States participation in the World Food Conference.

While there is a general consensus among governments that the agenda for the World Food Conference should quite properly include food production and food security, there are, however, wide differences of opinion about discussing trade matters at the Conference. It is, of course, recognized that production and food security are related to trade, and that discussion of these subjects will necessarily involve some trade considerations. Nevertheless, it might be counterproductive to discuss general trade matters at the World Food Conference, when other trade meetings such as the General Agreements on Tariffs and Trade and the Multilateral Trade Negotiations are already scheduled or underway.

Consequently, there will be no shortage of crucial, pertinent and controversial topics

for discussion at the World Food Conference, but the real job will be to make the Conference more than just a forum for questions, or empty debate, but rather to make it as productive as possible in terms of international cooperation in meeting the world's food needs.

The United States called for this Conference, and I can assure you we are taking it seriously. As evidence of this, Secretary Kissinger has appointed Ambassador Edwin Martin, an experienced and career Ambassador, to be the United States Government Coordinator for the World Food Conference. Ambassador Martin and his staff (and I am pleased to be a part of that group) are already deeply involved with many other government agencies in substantive work on the agenda items I have just mentioned.

While the World Food Conference will be a conference of governments, governments are, after all, responsible to their people, or at least they should be.

How effective United States leadership can be at the Conference, and what positions the United States Government may take on these major issues, may well be determined by the mood, the determination, and the concern reflected by the American people over the next few months. Make no mistake about it; the interest in the Conference on the part of non-government organizations such as farm groups, industry associations, universities, voluntary agencies and many others, is considerable. In fact, interest in the World Food Conference has become so widespread that a coalition of concerned organizations has been formed under the leadership of the AFFHF in Washington.

How firm or how weak a position our own government takes at the World Food Conference can depend to a great degree upon how our government interprets the will of the American people to join issues and make commitments.

The observation has often been made that governments act decisively only when they are confronted with a crisis. The fourth of July and December 7 are certainly remembered as days when crises were identified; perhaps you should remember April 29 as the day you recognized the food crisis that may face the world. And if so, perhaps you should tell some other people about it.

The League of Women Voters has an excellent reputation for being actively involved in its areas of concern, and I would like to exercise a speaker's prerogative and give you a few suggestions for action.

First of all, what about all of these statistics? Do we really only have thirty days supply of grain? Are we actually adding 75–80 million people on earth each year? Is fertilizer so crucial to food production that the required amounts could be obtained if we did not use it on our lawns, cemeteries or golf courses? Look into these statements: determine for yourselves if they are valid and what should be concluded from them.

Secondly, do some research on our U.S. food aid programs overseas. Are they really gigantic give-aways of shiploads of valuable food? Or are they worth the expense and effort? I have been associated with food aid activities for some time now, and I happen to believe that we would have to look long and hard to find a better way to be involved in foreign assistance. I have also had the opportunity to see well-managed food programs in the areas of nutrition, child feeding, food for work, and disaster relief in many parts of the world. Would a continuation of food aid be part of the solution to the world food problem? I suggest that you learn more about food aid.

Thirdly, what about the need for food reserves or stockpiles? If we are committed to humanitarian food aid, particularly in times of emergency, does it not make sense to have an available reserve of food for these purposes? Or is any stockpile of food, regardless of safeguards, so much of a threat to the grain market and favorable price conditions that we dare not maintain it?

Finally, how will decisions on food policy affect you? Will a better, more stable supply of food throughout the world help consumers? What effect will increased production have on farm income, trade prospects, or organized labor? Should our educational institutions concentrate more on food and population relationships? These issues do not just apply to the national or international political and economic arenas; they apply to you. And I think you have an obligation to learn more about them.

Therefore, do some reading; there is a great deal of information available from government agencies, farm organizations, the United Nations, special interest groups, voluntary agencies and the media. Ask them for their materials and publications.

Talk to people. Hear what farmers have to say, listen to people in the food processing business, bankers, people from other countries, educators, and your own families. Is there really an awareness of a food problem? Do people care? Should they care?

And finally, when you have reached some conclusions, repeat them to others; write them down; and send them to editors, leaders of groups and organizations, government officials, and above all, your Congressmen and Senators. The State of Washington is fortunate to have excellent representation in Congress and I do not think I have to tell this group that the most important mail delivered on Capitol Hill is constituent mail.

In closing, I repeat what I said earlier. We are serious and concerned about the world's food problem. We and many of our colleagues in other governments hope to make the World Food Conference a basis for substantive action. But we must have your opinions, your advice, your interest and your support. It is the only way that realistic and useful food policies can be implemented.

## PRESIDENT'S TRIP TO RUSSIA

Mr. BENTSEN. Mr. President, today President Nixon is leaving for his summit meeting with the leaders of the Soviet Union at a time when the dangers of spectacular personal diplomacy are significant. A policy of seeking realistic agreements rather than sterile confrontation with the Soviet Union is a good one, and indeed, the only alternative to a state of nuclear tension.

But in spite of a détente policy there remains a long list of issues that deeply divide the United States and the Soviet Union. Those divisive issues are military, economic, and humanitarian—and they are real. Their reality has been forcefully brought home to those of us in this country by recent press reports calling attention to the harassment and arrest of Soviet Jews wishing to emigrate to Israel on the pretense that they would cause embarrassment by demonstrating during the President's Moscow visit. According to these press reports, the Soviet security police have already arrested at least 50 Jews from all parts of the Soviet Union while others have been subject to intimidation, surveillance, and official violence.

I vehemently deplore this repression. No purpose is served. No ends are gained. Indeed, quite the opposite is true. Mr. President, this harassment shows an unconscionable disregard for human rights, and it jeopardizes the climate of understanding and tolerance so crucial to agreement on matters of mutual concern to the United States and the Soviet Union. Détente is more than cooperation on military and economic issues—it involves as well progress on basic humanitarian issues. Soviet actions in recent days ill serve that country's own often-expressed goal of improved relations with the United States and raises some deep questions in our country about our policy toward the Soviet Union. Many citizens who deeply desire peace are asking "What price détente?" I think their questions deserve to be answered and not swept aside in a flurry of summit euphoria. What price détente? Shall we ignore, as an "internal matter" what we are told is none of our concern—the stifling of free expression in the Soviet Union? Shall we overlook, as an "internal matter," a Soviet emigration policy that makes prisoners of Soviet Jews? Or shall we view these matters as fundamental issues of human liberty, issues that require us to take a stand?

The summit meeting affords President Nixon a first-rate opportunity to discuss the Jewish issue with high-level Soviet leaders. And I hope the President will strongly protest the recent series of arrests and harassment as a particularly offensive abuse of power that cannot be justified. Détente is a two-way street and not all concessions must be made by the United States.

Mr. President, the true importance of a summit meeting lies not so much in what takes place at the summit as in what happens after the summit.

I warn the Soviet leaders that continued repression and violence against its citizens will only increase the misgivings of many Americans about a policy of détente that appears to ignore vital questions of legitimate human rights and civil liberties, questions that know no boundaries and comprise an important ingredient of détente.

## THE CURRENT ECONOMIC SITUATION

Mr. BAYH. Mr. President, I was pleased to see that President Nixon managed to squeeze in a meeting of more than an hour with his top economic advisers between foreign trips yesterday. While I welcome this evidence that the President is giving at least some attention, however minimal, to the most serious and debilitating problem facing the Nation today, I would prefer that the task of finding effective ways to deal with inflation and unemployment have a much higher place on the President's list of priorities. It seems quite logical to me that finding a solution to the No. 1 problem facing our people should be the No. 1 priority for both the Congress and the President.

The President's statement following yesterday's brief meeting was a disappointment and a clear indication that those charged with providing leadership and direction for our economic policy have made absolutely no progress toward finding new and effective means to deal with the problem. The President admitted that "we do not foresee a quick end to inflation," and the best solution

he could offer was to trim another $5 billion out of the budget and to continue the tight money policies which have resulted in a 14.2-percent rate of inflation in the first quarter of this year.

Certainly, I agree with the President that we must cut some of the fat out of the Federal budget and only yesterday I voted to reduce the debt limit by $5 billion. Indeed I voted for and the Senate has already passed a $9 billion budget cut, but a budget cut alone is not the answer. Even Presidential Economic Adviser Kenneth Rush admits that a budget cut will have no quick impact on the inflation rate.

What we must do and what the President has been unwilling to do, is to attack rising prices directly, not simply continue the tight fiscal and monetary policies which have failed so dismally. That this approach is not the right answer is painfully obvious in the fact that the Consumer Price Index for May increased at an annual rate of 13.2 percent. We must roll back the price of petroleum products and take steps which have direct impact on prices.

The administration's barren economic policies not only fail to deal effectively with inflation, the problems of negative economic growth, which saw an actual decline in real growth of more than 6 percent in the first quarter, has not been reversed. The first-quarter downturn was quite broad and nothing has happened to encourage confidence in the administration's prediction that there "will be an upturn for the rest of the year." A close examination of the statement yesterday by Mr. Rush indicates that his predicted upturn means that unemployment might increase to only 5.8 percent by the end of the year and that real growth may reach 1 percent in the second half of the year. This means there will be insufficient growth to provide jobs for more than a fraction of those swelling the labor force this year. It means that our economy has been so mismanaged that not going down is interpreted as going up.

I hope that the President will find the time, when he returns from his foreign travels, to develop more meaningful ways of dealing with our economic problems than the repetition of discredited predictions and ineffectual half measures.

In view of the grave threat the current economic situation poses to the well-being of our Nation and its citizens, I feel certain that the Congress stands ready to cooperate with the President in developing appropriate legislation to effectuate workable new approaches.

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## THE IMPEACHMENT CONTROVERSY

Mr. MOSS. Mr. President, the Salt Lake Tribune recently carried an article by Daniel Berman, Esq., analizing some of the basic questions surrounding the impeachment controversy.

Mr. Berman is one of the leading antitrust lawyers in the country. I commend his article to my colleagues, because I believe it raises serious questions we should be giving careful thought to in the Senate.

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

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

[From the Salt Lake Tribune, May 31, 1974]

IMPEACHMENT: DID NIXON DO HIS DUTY?

(By Daniel L. Berman)

The question of whether Mr. Nixon should be impeached is certainly premature. The investigation is incomplete. All the evidence has not even been produced, let alone heard. The evidence that has been produced, however, particularly the transcripts of the presidential tapes and the public record of the President's response to the various Watergate investigations, is sufficiently complete to warrant a hard analysis concerning the problems of impeaching the President on the record that is now public, the constitutional standards that should govern the impeachment of Mr. Nixon, and the significance in terms of those constitutional standards of the President's adamant refusal to produce evidence under his control.

LIMITED TO QUESTION

The White House has repeatedly attempted to portray the impeachment investigation as an inquiry limited to the question of whether the President participated with his aides in a criminal conspiracy to obstruct justice in the investigation of the Watergate burglary. If this is the proper scope of the impeachment inquiry, then the President is calling upon the nation to ask the right questions: What did the President know, when did he know it, and what did he do about it? It is the thesis of this comment, however, that in the context of the impeachment of a President of the United States these questions are overly simplistic and tend to obscure the proper scope of presidential responsibility. They are a part but not the whole of the case.

A criminal conspiracy to obstruct justice is a serious crime. It is a crime, however, that is very difficult to prove. Unlike the common crimes of burglary or robbery, criminal conduct is not an essential element of the offense. Words and intent are sufficient. Even if the President were a participant in the criminal conspiracy, it is very doubtful that he himself would have or would have needed to personally undertake action to implement the conspiracy. Conspiracy, moreover, due to the nature of the offense, is a clandestine enterprise.

SELDOM SUBJECT

It is very seldom the subject of conclusive or direct proof. It must always be established by circumstantial evidence. Thus, one of the common rules of evidence employed is that the withholding of relevant evidence by an alleged conspirator warrants the inference of his participation in the conspiracy, as Mr. Justice Stone observed:

"The failure under the circumstances to call as witnesses those officers who did have authority to act . . . and who were in a position to know whether they had acted in pursuance of an agreement is itself persuasive that their testimony, if given, would have been unfavorable . . . The production of weak evidence when strong is available can lead only to the conclusion that the strong would have been adverse . . . Silence then becomes evidence of the most convincing character."

Reliance on circumstantial evidence, however, in the context of an impeachment inquiry raises serious problems. Mr. Nixon is not an ordinary defendant in a criminal action. He is the President of the United States. At issue is not his conviction but his impeachment. Would the country be satisfied with an impeachment based on circumstantial evidence? Before nullifying the election process, isn't it essential that the quality of proof satisfy not merely the technical rules of evidence but a public consensus of the President's criminal involvement?

SERIOUS PROBLEM

The quality of evidence is not only a serious problem but the quality of the President's criminal conduct even if established is also in issue. Even if the President authorized the payment of hush money at the March 21, 1973, meeting with H. R. Haldeman and John W. Dean III and thus under normal criminal standards became a participant in a criminal conspiracy to obstruct justice, would a belated, brief, and tangential involvement of the President in a criminal conspiracy be sufficient to warrant his impeachment?

Simply put, the public is not going to accept the impeachment of a president for a specific criminal offense unless the proof is clear and unless the criminal conduct is sufficiently serious to warrant impeachment. If, for example, the President tacitly approved the filing of a back-dated deed for the purpose of claiming an income tax deduction on the gift of his vice presidential papers, isn't the appropriate remedy the payment of the taxes due with interest and penalty rather than his removal from office?

MOST AGREE

Most people, Republicans and Democrats, would agree that the President's conduct has been morally deplorable but sanctimonius moralizing will not resolve the problem or provide a constitutional foundation for the President's impeachment. The White House seeks to have Mr. Nixon judged under standards applicable to an ordinary citizen accused of a criminal conspiracy. But where the consequence of that judgment is Mr. Nixon's removal from the presidency, those standards may be unsatisfactory. The quality of the evidence and Mr. Nixon's substantial involvement in the crime charged will have to be far greater for the purpose of impeachment than they would for the purpose of an ordinary criminal conviction.

FAILURE AN ISSUE

But that dilemma cuts both ways. Mr. Nixon is not merely an ordinary citizen who was under a legal duty to refrain from criminal conduct. He is the President of the United States and as such one of his clearest constitutional responsibilities is that "he shall take care that the laws be faithfully executed," Article II, Section 3, United States Constitution.

If the President's action are viewed against this constitutional duty, the proper standard for impeachment is not merely whether he participated in a common criminal conspiracy but whether he deliberately failed to discharge that constitutional duty. If that is the standard, then (1) his failure to supervise the conduct of his principal associates, (2) his failure to vigorously expose their conduct to the proper authorities, (3) his misuse of the CIA and FBI to thwart the Justice Department's initial investigation, (4) his authorization of a single payment of hush money, (5) his interference with the discharge of the duties of the special prosecutor he reluctantly appointed, and (6) his adament refusal to produce all of the relevant evidence under his control would warrant his impeachment not because these factual elements were circumstantial evidence of his involvement in a criminal conspiracy but because in total they were overwhelming evidence of his failure to discharge

his constitutional duties as President of the United States.

## QUORUM CALL

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The third assistant legislative clerk proceeded to call the roll.

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

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

## CONCLUSION OF MORNING BUSINESS

Mr. MANSFIELD. Mr. President, is there further morning business?

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

## TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

The PRESIDING OFFICER (Mr. BIDEN). Under the previous order, the Senate will now proceed to the consideration of the unfinished business, H.R. 14832, which the clerk will state.

The third assistant legislative clerk read as follows:

H.R. 14832, to provide for a temporary increase in the public debt limit.

The Senate resumed the consideration of the bill.

Mr. MANSFIELD. Mr. President, is there an amendment pending?

The PRESIDING OFFICER. The pending question is on agreeing to the amendment of the Senator from Minnesota (Mr. HUMPHREY).

Mr. MANSFIELD. Mr. President, if the distinguished Senator from Minnesota (Mr. HUMPHREY) will yield without losing his right to the floor, I should like to suggest the absence of a quorum.

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. HUMPHREY. 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. HUMPHREY. Mr. President, the pending business, as I understand it, is amendment No. 1522. Is that correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. HUMPHREY. Mr. President, yesterday, the Senate worked its will on amendment No. 1443, which had been presented by the distinguished majority leader on behalf of a number of other Senators and myself, who were cosponsors. It was our judgment that that amendment represented the kind of basic tax reform legislation and tax reduction that is desperately needed by our country.

There were those, of course, who insisted that the legislation would stimulate the economy and be inflationary. There are no facts, however, to sustain that point of view. There are those who say that the legislation would stimulate the economy and improve our economic growth. Still others say that the tax legislation is essential to reduce unemployment. Finally, there are those that say it is essential to establishing equity within our tax structure.

All these questions are relevant parts of the debate and were discussed, as we know, in considerable detail during the past week. But these questions are not the main issue.

The fundamental issue still facing the Senate is, Will it act to restore confidence in the American economy, or will it join the administration and sit on its hands as the economy deteriorates further?

In a recent radio address, the President said there were signs that his administration's economic policies are paying off and that the worst is behind us. I know that we would all like to share in the President's optimism, because the Nation's recent economic performance has brought most Americans real economic hardship and deep concern about the future.

The President's assessment of the state of the U.S. economy, however, cannot be given much weight because it has been so consistently wrong in the past and because many of the administration's policies are part of the problem and not the solution for the current economic difficulty.

Let me elaborate on this point by explaining why people today do not have confidence in the economy. In the first place they do not have confidence in the economy because the real economic performance of the economy has been poor: real economic output declined at more than a 6-percent annual rate in the first quarter of this year, unemployment is over 5 percent and expected to go to 6, housing starts have decreased by more than a third of what they were last year, real earnings have declined about 6 percent in the last year, and inflation continues to run at double digit levels.

But in addition to these direct economic factors, there are other reasons why the citizens have lost confidence in our economic performance. For one thing they do not know what to believe anymore, with the administration consistently telling them that they are better off than they have been, while the prices in the supermarket and their paychecks indicate that they are worse off. The administration has simply not been honest with the American people about the seriousness of the economic situation.

Consumers have also lost confidence in the economy because of the lack of direction of the administration's economic policies. Rather than being consistent, the administration's economic polices have frequently been changed in a yo-yo fashion. Because the administration could never make up its mind if it wanted to enforce the Economic Stabilization Act, wage and price controls were on-again, off-again, phased in and phased out, until finally, the old Bud Abbot-Lou Costello joke, nobody knew who was on first base. You can not play around with the American economy in that fashion and expect it to perform well.

Finally, the American people have lost confidence in the economy because they do not see the Federal Government taking any positive new initiatives to deal with the economic crisis the Nation faces. Having terribly mismanaged the economy, the administration now says we should just sit tight, let the budget get tighter, let money and interest rates become tighter, and let us squeeze consumers just a little more so that we can get rid of inflation. This is another example of the old idea that you put the consumer through a wringer in order to solve economic problems. Such policies failed during the Great Depression, they failed during the first recession of this administration in 1970, and they will fail again.

For all these reasons, the job of establishing policies to improve the Nation's economic performance, as well as renewing the peoples' confidence in our policies and in our economy, falls to the Congress. This is a difficult job and I do not pretend to have all the answers. But one answer is tax action to restore confidence in the economy.

The joint amendment I and others offered would do just that. I am pleased therefore to be a sponsor to amendment No. 1443 with my colleagues, Senators BAYH, CANNON, CLARK, HART, HUDDLESTON, MONDALE, METZENBAUM, NELSON, and KENNEDY. I deeply regret that this amendment was defeated. It represented a basic reform long overdue.

### TAX REFORM

The first part of our joint amendment was designed to give tax reform—a fact that is conspicuously and consistently overlooked by the opponents of this proposed legislation. Why do we believe that tax reform is so important? We put priority on tax reform to halt the regressive trend in Federal tax payments. The effect of this trend is to shift the Federal tax burden away from wealthy individuals and large corporations to low- and moderate-income consumers. As a result the Federal tax system is losing its reputation for fairness, which in turn undermines the confidence of our citizens in their Government.

To make my point, let us look at who benefits from the special provisions in subsidies in the Federal individual income tax. In a study done for the Joint Economic Committee, Dr. Joseph Pechman and Benjamin Okner found that most special tax breaks go to upper income individuals. The study showed that families with anual incomes below $5,000 receive only 1.4 percent of the benefits from the special provisions in the tax law. Even average income families, those with annual incomes betwen $5,000 and $10,000, receive only 8.5 percent of the benefits. At the top end of the

income scale, however, we see that 1 percent of the richest families receive 24 percent of the special benefits of the tax law. This bias in favor of the large and wealthy can also be seen in who benefits from the corporate income tax law. The tax law has always been written for the wealthy and this is becoming increasingly so.

Despite this distorted distribution of tax benefits the Federal income tax system might be acceptable if these special provisions and subsidies efficiently achieved the social-economic goals that are used to justify them. In many cases they do not. Our joint amendment 1443 proposes to close four of the most unjustified loopholes in the Internal Revenue Code—oil depletion, tax subsidies for exports—DISC—the Asset Depreciation Range system—ADR—and the minimum tax.

In brief, the amendment was designed to reform these provisions in the following way:

First, repeal the oil depletion allowance effective January 1, 1974, with at least a $2 billion revenue gain in the first year. This subsidy should be repealed now because it has not been an effective incentive for increasing oil reserves, and soaring oil profits should provide enough encouragement to the oil companies to produce. The oil depletion subsidy should be repealed now in order to capture some of the excessive profits that the oil companies have received this year.

Second, repeal the subsidy to exports that occurs as a result of the Domestic International Sales Corporation—DISC effective January 1, 1974, for a first year increase in Federal revenues of $815 billion. This tax loophole should be repealed at this time because there is no evidence that it does stimulate exports and, even if it did, this is questionable policy during a period when we are experiencing shortages at home.

Third, repeal the Asset Depreciation Range system—ADR—effective for plant and equipment in place as of May 8, 1974, with a revenue gain of $250 million in the first year, and increasing Federal revenues of $2 billion in 5 years. This subsidy is an inefficient way to stimulate capital expansion and it is uneven in its impact on business.

Fourth, strengthen the minimum tax by reducing the current exclusion from $30,000 to $10,000, and by eliminating the current exemption for taxes paid, effective January 1, 1974, which brings in additional revenue of $860 million in the first year. By taking these actions we would prevent certain wealthy individuals from paying very low or no Federal taxes.

These four provisions are only the beginning of what we should do in the way of tax reform if we wish to have a fair tax system. But all of these provisions are well known and have, for the most part, been extensively debated in the Senate. We should have additional hearings on other tax matters in the Finance Committee but our proposals would be a good beginning for tax reform now.

It should also be emphasized that these four tax reforms would save the Federal Government substantial tax revenues and in this way be directly anti-inflationary. In the first year the reforms would save about $4 billion in Federal revenues and this saving would increase to about $7 billion in 1978. This means the reforms would directly offet the major part of the revenue loss produced by the tax relief in the first year, and they will offset entirely the long-run revenue loss.

TAX RELIEF

The billions of dollars of tax subsidies I have mentioned are paid for by individuals and families who labor for wages and have modest incomes, and their tax burden is increasing. Tax payments for a family with a budget of $12,000, for example, increased by $280 during 1973, or what amounts to a 15-percent increase in 1 year.

At the same time tax payments for the average family are climbing, the consumer cost of living is soaring because of inflation. In 1973, the same $12,000 income family had to use $1,600 of that income just to offset inflation. In areas like food, consumers have had to spend 20 percent more last year to buy the same amount of food.

The second part of our amendment was aimed at tax relief for these hard-pressed consumers. First, it will raise the personal exemption for individuals from its current level of $750 to a new level of $825.

Second, the amendment was designed to provide an option for every taxpayer to take a $190 tax credit in lieu of the $825 personal exemption. This optional tax credit targets tax relief on the low- and middle-income taxpayers hardest hit by inflation.

Third, our joint amendment would provide a refund of a portion of the social security payroll tax to low-income workers with children, though a tax credit equal to 10 percent of wages up to $4,000 in income. This excellent proposal has been advanced by the distinguished chairman of the Finance Committee, Senator LONG, to lighten the tax burden for the low-income workers.

As I have said, these tax relief proposals have merit because they would offset some of the cost-of-living beating consumers have taken in the last year. They should have been passed on grounds of equity alone.

Mr. President, today we are offering a streamlined version of the tax reform-tax reduction package that was defeated yesterday, in the conviction that the American people are demanding and expecting that this Congress give them a fair tax system. This streamlined package would drop our attempt to repeal what is known as the DISC provision and the accelerated depreciation range, but would repeal the biggest and the most notorious tax loophole of all—the oil depletion allowance—and would offer an average taxpayer a correspondingly smaller tax reduction than our earlier package to keep the fiscal balance of our amendment about the same as before.

In my earlier remarks, I described each of the amendments in the comprehensive program we offered yesterday; that proposal, both for structural reform in the tax laws and for tax reduction, was basically a balanced provision.

No tax loophole is more outrageous and more in need of reform than the oil depletion allowance. There are many reasons why we should repeal this tax subsidy without further delay. Let us summarize these before going into the details of our proposal.

THE BASIC CASE FOR DEPLETION REFORM

First, percentage depletion is an ineffective incentive for oil exploration. The subsidy, of course, does not go directly to exploration and development. It leaks money to everyone engaged in the process of oil extraction itself. So it serves as an incentive to extract the oil as fast as possible and to overdrill and hasten depletion. It is a depletion incentive, not an exploration incentive.

This record should be very clear about the tax treatment of exploration expenditures. All exploration and development costs are deductible. I know the argument will be made, as it already has been in the public press, that if you do away with the oil depletion allowance, you will, according to those who oppose that proposition, reduce oil exploration. My point is that exploration costs are largely deductible as a current expense anyway, and it does not require a depletion subsidy to bring about exploration. I shall direct my attention presently to the entire subject of exploration and development of our oil resources in considerable detail.

One cost-benefit study of the oil depletion provision found that the average annual revenue loss of approximately $1.4 billion generated additional petroleum reserves valued at an average of only $150 million per year. So we are paying out nine times what we are getting in return, and that is not much of a bargain. So the first argument is that the percentage depletion subsidy is highly ineffective.

Second, the percentage depletion clearly has not increased the Nation's security with respect to oil supplies. If it had done so, we would now have adequate oil supplies and would not be subjected to the shortages or the embargo of recent months. So those who are the strong advocates of oil depletion have quite a case to prove.

For many years oil producers had a percentage depletion allowance of more than 27 percent. Since 1969, it has been 22 percent. The simple truth is that this did not promote exploration and development. What it promoted was profiteering. What it promoted was oil companies becoming fat and rich. It did not promote oil production for the consuming public.

Third, whatever arguments were used to justify percentage depletion in the past, the recent high prices of oil products and profits made from these products has made these old arguments obsolete.

With industry profits that have increased by an average of 60 percent in the last year—and some firms have had

profit increases of more than 100 percent—this industry no longer needs artificial incentives. The profit system itself should be able to provide more than enough stimulus to the oil companies to expand production.

As Thornton Bradshaw, president of Atlantic Richfield, one of the large oil companies, has said in advocating repeal of percentage depletion:

> Perhaps it is time to let the price system work in this industry.

So here we have the president of a major oil company telling us at long last that there is no need for the oil depletion tax subsidy.

Fourth, oil depletion is an incredibly expensive subsidy. It cost the other taxpayers more than $1 billion even before the oil price explosion. But this cost will rise in step with the before-tax profits of the oil industry. Thus, in 1974, Uncle Sam will save $2 to $3 billion if depletion is repealed. This means $10 to $15 for every man, woman, and child in America.

Fifth, depletion has enabled oil companies to avoid paying their fair share of taxes. In 1973 the oil companies paid only 6 percent of their income in taxes, for example, while an average family with an annual income of about $12,000 paid taxes of about 12 percent. Why should the working families of this country pay taxes twice as high as the oil companies?

Mr. President, we also know that oil profits have increased greatly in 1974 and that the average rate of tax paid by the oil companies is about 6.5 percent. The poorest person in this country pays about that much, and these giants of industry, many of them almost bigger than the Government itself, pay a tax rate of approximately 6 percent.

Sixth, percentage depletion is just helping to finance further vertical and horizontal integration in the energy industry, as oil companies with excess profits buy up oil rights, coal rights, uranium rights, ships, and pipelines. They also are expanding into unrelated fields like real estate and retail sales. The American economy does not need further concentration in the energy sector.

Finally, we ought to repeal depletion so that we can reduce taxes for the average American consumer whose purchasing power has been so badly undermined by inflation. It is only equitable that the average taxpayer, who has been overtaxed for years to provide this subsidy to the oil industry, now receive a tax reduction in connection with the repeal of depletion.

So, Mr. President, there are seven good reasons why the oil depletion tax subsidy to the bloated, fat, profiteering oil companies should be repealed. No one can come to the floor and argue that the oil industry is suffering. It has benefited in the past year from the most incredible price increases and profits of any industry in the history of this land. If ever there was a time when we should bring reform to this industry it is now.

Mr. President, if opinion polsters asked Americans today what aspects of the tax system are most unfair, a majority undoubtedly would put first the fact that America's multinational oil companies pay less than 10 cents on average in U.S. income tax on each dollar of their enormous profits. Many of the very largest pay less than a nickel a dollar. Even those with most or all of their production in the United States typically pay only 10 to 20 percent. Most other businesses pay at least 40 cents per dollar. Even middle-income families with children pay more of their incomes in taxes than do the oil companies.

That is the social issue; that is the great moral issue here. Why should these huge, multinational corporations, which enjoy enormous tax benefits at home and abroad, pay less on a percentage basis in taxes than any person with a modest income among the working families of this country.

Whatever arguments once existed for tax favors to the oil industry, last year's tremendous price increases made them all obsolete. The OPEC cartel arbitrarily boosted prices by about 150 percent to levels that are monopolistic and exploitative by any definition.

It is clear, even though it has not been made clear to the American public, that when these Arab countries raised the price of crude oil they were also raising the profits of the American oil industry, because the American oil industry has levied a profit margin on that oil that is a percentage of its price. So as the price of crude oil went up, and as we blamed the Arab leaders for that price increase, let it be very clear that many of these American oil companies were having the time of their lives getting increased profits as the prices went up, and at the same time the consumers of the Nation were having to pay the bill.

Therefore, the biggest beneficiaries of this move besides the OPEC governments themselves are the American oil producers. First, they increased their profit on foreign oil on top of OPEC's take. Furthermore, without lifting a finger they watched the price of their U.S. oil production go from the range of $3.60 to an average now over $7, which is constrained only by the U.S. price ceiling on so-called old oil. This 100-percent increase yields a pure windfall profit of over $10 billion annually, which is expected to continue indefinitely. Unless the price control authority of the Federal Energy Administration is extended next February, this massive annual windfall easily could double.

Under these conditions there is no longer any reason to subsidize oil producers at taxpayers' expense on the basis of the argument that in order to get more oil we have to give the oil companies profits. Mr. President, they do not know what to do with their profits now. They literally are having a difficult time explaining how they got so much.

The present law actually would increase the subsidy in proportion to profits and the public is correct in demanding that this absurdity be stopped. The only place it can be stopped is in this Congress. This is not something that can be laid at the door of the President.

Various methods have been proposed to curb oil profits, including excess profits taxes of different kinds. But it is much more logical to close ill-conceived tax loopholes already pertaining to the oil industry before trying to invent other novel ways to recoup the revenues that they permit to be lost.

Most of us here know these excess profit tax schemes generally are not very equitable nor should we call them sound economically. What we need to do is to start to treat the oil industry as we treat other industries and to give it fair treatment and not special treatment.

There are several reforms that must be made before the tax treatment of the oil industry can be considered fair. Today, we are limiting our attention, however, to the so-called percentage depletion allowance. This loophole should be eliminated immediately. It is by far the biggest loophole. At today's oil prices, it causes a revenue loss estimated at between $2 and $3 billion annually which other taxpayers are having to make up. This means taxes of $10 to $15 for every man, woman, and child in the United States for the benefit of the already profit-bloated oil industry.

Percentage depletion, however, has been the subject of many hearings in Congress and much public debate in the past. All Members are familiar with the arguments pro and con.

Although other oil tax reforms may require more deliberation we surely can now act on this aspect of the issue.

Let no one say that the oil depletion amendment comes here without hearings. There have been hearings on oil depletion that would fill up the Library of Congress, and anybody who serves in this body is fully familiar with this issue.

This reform can be enacted now with a minimum of difficulty to the oil industry, which will be better off than ever before in any event. If action is delayed, oil firms will invest in new oil assets at prices based on today's inflated profitability, and then the abolition of tax subsidies could require a painful financial adjustment.

We have heard that the era of cheap energy is over. Spokesmen of the industry and the administration have promised us that we will have to adjust to higher energy prices for the foreseeable future.

Well, I say that the era of tax-free oil profits ought to be over. The American people just will no longer stand for gaping avenues of tax avoidance designed especially for these giant corporations. So it is now time for Congress to move on this subject of reform.

Mr. President, I repeat, day after day the American consumer is told, "You have to expect to pay more for your fuel oil, you have to expect to pay more for gasoline." The farmer is told, "You have to pay more for diesel fuel." The airlines are told, "You have to pay more for jet fuel."

We are told about it as if it was Holy Writ.

Well, Mr. President, I think the time is at hand that we ought to be telling this oil industry, which has great profitability and surely is making plenty of money on its investment, that the time of tax-free oil profits is over. That is the least that the people have a right to expect from the Congress.

HOW DEPLETION WORKS

Now, let me explain briefly how percentage depreciation works.

Any businessman is entitled to deduct a yearly investment depreciation charge from his taxable income over the life of the corresponding asset. This permits a proper tax-free recoupment of the investment expense.

So oil and gas producers may take cost depletion over the life of a well, which is an analogous writeoff of investments and mineral rights and extraction facilities. That is an accepted business tax expense.

Percentage depletion, however, permits producers to deduct from the taxable income an entire 22 percent of the gross wellhead value of oil and gas. This means not just 22 percent of before-tax profits, but 22 percent of the full wellhead value. In other words, the gross. This option can exempt from taxation up to one-half of before-tax profits every year.

Using this one loophole alone, major oil companies and other firms with flowing wells can reduce their effective tax rate on crude oil income to only one-half of that paid by other domestic businesses. In the process, they take writeoffs many times the size of the investments that they should be entitled to recoup. Mr. President, this is patently wrong.

Now, here is how this depletion allowance bonanza works. The purpose of our amendment is to put a stop to it. Oil companies must be permitted to recoup their investments in depleting resources, but they must be satisfied with the cost depletion like everyone else.

OUR PROPOSAL

Now, our amendment would abolish the percentage depletion allowance on all oil and most natural gas, including foreign production, beginning with calendar year 1974. Only one temporary exception to the abolition would be allowed. Depletion would continue through calendar year 1975 for natural gas sold under preexisting price rulings of the Federal Power Commission. This would give producers time to obtain price adjustments from the Federal Power Commission.

In the case of other gas sold under preexisting fixed price contracts, percentage depletion could be taken until such time as the contract expires or permits a price adjustment.

The reason for this exception is that these prices were built on a cost structure incorporating tax savings from the depletion loophole. It is not the intent of our amendment to undermine a fair rate of return. Indeed, the fair rate of return will be maintained.

Some people may propose to make a similar exception for price-controlled oil. The situation for oil, however, is very different. Such an exception is completely unjustified because price ceilings on oil are not even remotely related to cost.

The ceilings were raised in the last 5 months of 1973 without any pretense of cost justification from an average of $3.60 to what is now about an average of about $7, or by nearly 100 percent, and the price of about one-third of the U.S. production was free to rise to the world price level of over $10.

There is no danger, therefore, of reducing returns to below the normal level.

PERCENTAGE DEPLETION AS AN INCENTIVE TO SUPPLY

Let us take a look at percentage depletion as an incentive to supply. I can just hear the arguments rumbling through this Chamber as we debate this oil depletion amendment. Those of us who support the amendment are going to be accused of drying up the capital that is needed for development of our oil resources.

Well, it is just not true. The biggest problem of the oil industry today is to know what to do with its money. Really, they are ashamed of the——

Mr. FANNIN. Will the Senator yield on that point?

Mr. HUMPHREY. Yes, I yield.

Mr. FANNIN. Is the Senator talking about the major oil companies? He is not talking about the independents who are going out trying to find oil. They are very much in need of the depletion allowance.

Mr. HUMPHREY. We are going to talk about that.

Mr. FANNIN. Well, how is the Senator going to provide for them?

Mr. HUMPHREY. Well, every oil company is permitted to deduct the full cost of exploration and development. What more does the Senator want?

Mr. FANNIN. What more do I want?

Let us give credit where credit is due.

These companies, independent companies, are drilling about 75 percent of all the wells in the United States.

Mr. HUMPHREY. Correct.

Mr. FANNIN. In other words, they are not going offshore and drilling wells, but are drilling the wells that are within the United States' boundaries.

Now, are we going to tell them that they can no longer have the needed capital, they can no longer have the incentive to go forward with this drilling that has been their program over the years?

Mr. HUMPHREY. Senator, they have got all kinds of incentives.

First of all, they have got what we call the investment tax credit.

Now, may I say there is no one in this gallery here——

Mr. FANNIN. Wait a minute.

Mr. HUMPHREY. I occupy the floor. Just a minute.

Mr. FANNIN. Let us talk about something that applies to oil companies.

Mr. HUMPHREY. Just a minute. I want to say to the citizens that there is nobody out here in the gallery that owns a home, that works in a factory, that gets an investment tax credit of 7.5 percent.

Mr. FANNIN. We are not talking about investment tax credit.

Mr. HUMPHREY. Just a minute.

Just a second. The Senator is not in charge of the floor right now; I am, and I am here to tell the Senator that business gets plenty of incentives.

Mr. FANNIN. Well——

Mr. HUMPHREY. Now, they get, second, full deduction of most exploration and development expenses. It is not as if we tell a private oil company, "You go out and look for oil and, if you do not make it, that is just too bad." It is a deductible business expense, and that is not bad.

I do not know any factory worker that gets a deductible business expense. I do not know any factory worker that gets a depletion allowance as he wears out his body on the job. I do not know anybody that runs a grocery store that gets a deductible so-called exploration and development business expense.

Mr. President, there are plenty of incentives and we are going to come to the independents——

Mr. FANNIN. Will the Senator yield?

Mr. HUMPHREY. Yes.

Mr. FANNIN Is the Senator talking about apples or oranges?

Mr. HUMPHREY Both.

Mr. FANNIN. Well, I will tell the Senator that he is mixing them up.

Mr. HUMPHREY. I am not.

Mr. FANNIN. I have never seen anything so ridiculous as the comparison of the depletion allowance with the investment tax credit.

Is investment tax credit involved in this?

Mr. HUMPHREY. Not at all, but may I say that every oil company has the privilege of the——

Mr. FANNIN. Now——

Mr. HUMPHREY. I do not care whether they are independent or a multinational corporation, they still get the investment tax credit.

Mr. FANNIN. Does this help the independent oil companies, the small independent driller that is dependent upon the depletion allowance on which to raise his funds?

If the Senator would just listen, maybe the Senator would realize just what is happening in this country of ours.

We had been going down in the production of oil. I think the Senator realizes that. But now we are starting back up, leveling off and we can, if the oil companies are given a chance, and those independents who are the ones doing this drilling are given an opportunity, then we can start back up the other way.

We have as many oil companies, independent oil companies, that are not in the category he is talking about, and he knows that. They are certainly striving to get capital to carry forward, and I can tell the Senator, I can furnish him, and I am going to, with about, I would say, between 200 and 300 telegrams from the small independent oil companies that are going to be very hard hit by his amendment. In fact, it would be devastating to them.

I do not think the Senator wants to put them out of business. At the current

rate of about 550,000 wells, the drilling is already down 15 percent from 1956, and if they drop further—and certainly it will drop if his amendment goes through—then where are we going to get the oil we need so badly?

I think the Senator desires to import foreign oil. Well, if that is his suggestion, then I think he should make it clear.

Mr. HUMPHREY. The Senator from Minnesota did not say that at all. Let me tell you what I am for. I do not intend to have any other Senator interpret what I am for.

Mr. FANNIN. I am just trying to interpret what the Senator is for, and I cannot find out.

Mr. HUMPHREY. Let me say if all of this depletion allowance was so beneficial so that everybody could have all the oil they wanted, we would not be dependent on foreign sources. Why have we not got it?

We had 27½ depletion allowance up to 1969; we have had 22 percent since 1969. Where is all the drilling? What about the incentives?

Mr. FANNIN. Where is all the drilling?

Mr. HUMPHREY. The Senator said a moment ago they dropped down.

Mr. FANNIN. If the Senator will answer me, where is all the drilling going on? Let us just answer that. Of the 550,000 wells drilled in the United States and worldwide, 80 percent of them have been drilled by U.S. companies. That is where the drilling has been going on, by U.S. companies; 75 percent of the wells in this country have been drilled by the independents. That is where the drilling has been going on.

Mr. HUMPHREY. We are going to come down to defining what we mean by independent, but I think the Senator would be interested to know that the percentage change, for example, in net income of the top 60 companies, is not bad. Their comparative oil company earnings showed percentage increases of 176 percent, 240 percent, 140 percent, 175 percent. Now, the Clark Oil & Refining Corp. is not exactly a large company, and it went up 175 percent. Commonwealth Oil & Refining is up 470 percent.

The interesting thing to me is how all at once the Chamber is filled with tears over the oil industry.

Mr. FANNIN. No, I am not.

Mr. HUMPHREY. It is filled with tears as if somehow or other the oil industry was just going to be rubbed out of business. Other industries get along pretty well under the normal tax laws, but this industry not only wants oil depletion, it wants a half dozen other separate special incentives.

The Senator from Minnesota believes in the profit system; he believes in the capitalistic system. He believes they ought to have a chance to make a fair return on their investment.

I submit to the Senator that the oil depletion allowance is the most outrageous subsidy that has been granted to any business or any combine in the history of this country, and the time is at hand to do something about it.

I yield to the Senator from Massachusetts (Mr. KENNEDY).

Mr. KENNEDY. I thank the Senator from Minnesota.

Mr. President, the Senate now has before it the opportunity to vote to close the most notorious single loophole in the Internal Revenue Code, the most visible symbol of tax injustice and special privilege in our revenue laws, the percentage depletion allowance for oil.

The oil depletion allowance has haunted the Internal Revenue Code since the beginning of the Federal income tax after the 16th amendment was adopted in 1913. And from the beginning, depletion was controversial.

In 1913, when the income tax was first enacted, depletion was limited to cost. But, to avoid the appearance of unconstitutionally taxing pre-1913 income, depletion on pre-1913 wells was allowed to be based on the value of the well in 1913.

In 1918, during World War I, discovery depletion was enacted. That is, depletion was allowed to be based on the value of the well at the time of discovery. Almost always, discovery depletion exceeded cost depletion. Partly, the legislation was in response to the war emergency. Partly, it was in response to claims that the 1913 depletion provision discriminated against wells discovered after 1913, by limiting them to cost depletion, when pre-1913 wells were eligible for higher depletion based on 1913 value.

In 1926, the modern concept of percentage depletion was adopted, because of the serious problems that arose in setting values of wells and administering discovery depletion. The House proposed 25 percent and the Senate 30 percent; the House-Senate conference agreed on 27½ percent, and the figure stayed constant for nearly 50 years.

In 1969, in the Tax Reform Act enacted that year, percentage depletion was reduced from 27½ percent to 22 percent—18 percent counting the minimum tax—the level it has today.

The operation of the percentage depletion allowance and the massive tax benefits it confers are illustrated by a table I have here, which I ask unanimous consent to have printed in the RECORD.

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

EXAMPLE OF OPERATION OF THE PERCENTAGE DEPLETION ALLOWANCE

| | With depletion | Without depletion |
|---|---|---|
| Gross receipts from sales of oil | $200,000 | $200,000 |
| Costs | 120,000 | 120,000 |
| Net income | 80,000 | 80,000 |
| Percentage depletion (22 percent of gross receipts) | 44,000 | ---------- |
| Allowable depletion (maximum of 50 percent of net income) | 40,000 | ---------- |
| Taxable income | 40,000 | 80,000 |
| Tax (48 percent corporate rate) | 19,200 | 38,400 |

Mr. KENNEDY. Although depletion is often justified as oil's analogy to depreciation, nothing limits depletion to the value of the oil. Year after year, 22 percent depletion is available, so long as a well is producing oil. At this level, experts estimate that oil companies recover the value of a producing well 16 times over. Through depreciation, other businesses are limited to one and only one recovery of the investment in their assets.

Whatever the merits of depletion when it was first enacted half a century ago, there is no justification for the enormous tax windfall that it confers today on some of the Nation's wealthiest corporations.

There are at least seven major reasons that justify the outright and immediate repeal of the percentage depletion allowance.

First, and most obvious, are the astronomical profits of virtually every major oil company in the Nation at the present time. These fantastic profits are the direct result of the fantastic increase in the price of oil.

There is no need for further tax incentives like the depletion allowance. The soaring price of oil is enough incentive by itself to stimulate all the additional exploration and production needed by America.

Before the Arab oil embargo in 1973, the price of oil was $3.50 a barrel. Today, under price controls, the price of "old" oil is fixed at $5.25 per barrel, an increase of 50 percent. And the price of "new" oil, not subject to price controls, is now a phenomenal $10 to $11 per barrel, or triple the price a year ago.

And the enormous price increases are matched by equally enormous increases in sales and profits for the Nation's largest oil companies. For the first quarter of 1974, as the following table indicates, many companies are reporting record profits, the highest in their history.

Mr. President, I ask unanimous consent that a table of such profits may be printed in the RECORD.

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

PERCENTAGE INCREASES IN SALES AND PROFITS OF CERTAIN MAJOR OIL COMPANIES, 1ST QUARTER 1974 COMPARED TO 1ST QUARTER 1973

| | Sales | Profits |
|---|---|---|
| Exxon | Up 59 | Up 39. |
| Mobil | Up 57 | Up 66. |
| Texaco | Up 97 | Up 123. |
| Gulf | Up 115 | Up 76. |
| Standard of California | Up 110 | Up 92. |
| Standard of Indiana | Up 55 | Up 81. |

Mr. KENNEDY. But the published profits do not tell the full story. In some cases, the reports involve unusual accounting practices that may well signify an effort to conceal the full magnitude of the profits:

Exxon, whose profits rose 39 percent, is rumored to have held back $400 million in other profits, to avoid crossing the billion-dollar profit mark in the first quarter. The company has admitted holding back $37 million, but has refused to say whether any more was held back. Some oil accountants have argued that such holdbacks might be justified as reserves to pay for increased taxes imposed by Congress, as well as for retroactive cost increases in crude oil prices in the Middle East. But such increased

costs are speculative and in the future: they serve the purpose now of appearing to reduce today's profits, whether or not the anticipated contingencies actually arise in the future.

Texaco, whose profits rose 123 percent, held back an additional $143 million, for increased costs of crude oil.

Mobil, whose profits rose 66 percent, has said that some profits were held back, but the amount has not been specified.

Moreover, as recent news reports make clear, some of the largest oil companies are at a loose end over what to do with their depletion-bloated profits.

A few months ago, we read that Gulf Oil was negotiating to buy Ringling Brothers Circus. A few days ago, we read that Mobil Oil was negotiating to buy Montgomery Ward.

How can Congress and millions of ordinary taxpayers in the Nation stand by, while their hard-earned tax dollars flow into oil company treasuries in the form of handsome tax subsidies through depletion, and then flow back out again—not into exploration for oil as the Congress intended, not into production of oil to help America meet its energy crisis, but into outside investments in things like circuses and general department stores.

Second, depletion is an extremely ineffective incentive, as the following points make clear:

Because depletion is given for oil production, it encourages drilling in known oil reserves and pumping from existing wells, not exploration for new resources. It stimulates overdrilling of existing fields; it puts wildcatting and new exploration at a disadvantage. Only 1 out of every 10 exploratory wells strikes oil; therefore, depletion benefits only one-tenth of the most risky but most necessary drilling. Also, overdrilling can damage overall production from an oil field, since too many wells drilled into the ground in the same field can reduce the pressure that forces oil to the surface, and make the operations of the entire field less efficient.

This problem is compounded further, because even those who want to explore for oil have trouble obtaining scarce materials, drilling rigs and other equipment, because so much equipment is being diverted to oil production and is not available for exploration.

Experts estimate that more than half the tax benefit of depletion goes, directly or indirectly, to landowners, not to oil producers. Landowners get depletion on their royalty income, and they also get higher prices for leasing their land, because the availability of depletion encourages producers to bid the value up. Yet, the landowners do no drilling and take no risks. To the extent that depletion benefits go to landowners, the tax benefits are wasted, since they do not attract new capital for oil.

The depletion deduction is based on income, not cost. Therefore, the tax benefit is the same for low-cost oil, which will always be produced, as it is for high-cost oil. As a result, drillers and explorers are discouraged by depletion from engaging in any but the lowest cost ventures.

As the earlier example indicates, depletion is also limited to 50 percent of net income from oil production. Consequently, there is a special additional disadvantage for marginal wells and high-cost oil production, such as stripper wells, whose operators find that the full benefits of depletion are not available. Again, the result is to divert scarce resources in the search for oil into low-cost drilling in known reserves, where the depletion payoff is the highest.

The tax benefits of depletion increase as the price of oil increases. Since the price has tripled in the past year, the tax break from depletion has also tripled. That is the sort of irrational tax incentive that only Alice in Wonderland can understand. A rational incentive would reduce the subsidy as the price goes up, because the subsidy is needed less.

Third, the percentage depletion allowance distorts the economics of the oil industry by attracting massive investments purely for tax shelter purposes, not for oil production or exploration. Each year, billions of dollars are funneled into questionable schemes for oil, of value only because of their tax advantages to wealthy doctors, dentists, lawyers, corporate presidents, and other high-bracket taxpayers looking for tax shelters. Often such schemes promote uneconomic ventures into oil, because the investors are more interested in tax losses to shelter other income than they are in a profit from the operation. These tax shelter programs are being syndicated today on a national basis. Frequently, their nonbusiness motives cause serious competitive disadvantages for legitimate oilmen who have to make a profit, not just a tax loss, from their operations.

Fourth, depletion is a highly discriminatory incentive for oil, to the disadvantage of other energy sources. Based on the delivered price of fuel, the tax benefits are estimated as follows:

For oil and gas: 13 percent of price.
For coal: 4 percent.
For oil and gas from coal: 1 percent.
For solar energy: 0 percent.

This sort of tax discrimination is hardly a sensible, longrun energy policy for the Nation. It is nothing more than a vast welfare program for oil producers and oil-land owners.

Fifth, depletion encourages oil producers to keep their oil prices high, at the expense of independent refiners and manufacturers of petroleum products, whose profit margins are thereby squeezed because of the high price of oil at the beginning of the production chain. Most of the major oil companies are vertically integrated firms. They have an unfair competitive advantage, since they do not care which stage in the production of petroleum products generates their basic profits. In fact, the top 20 integrated firms now control 94 percent of domestic oil reserves. In effect, the integrated firms are selling crude oil to themselves at artifically high prices, and thereby driving independent refiners and manufacturers downstream in the oil production industry out of business.

Sixth, because depletion is also available for foreign wells overseas, it encourages corporations to drill for oil abroad. Today, much of the tax benefits of depletion go to foreign operations. So long as the depletion incentive remains available for foreign oil, it is functioning in a way that is directly contrary to the goal of America's own energy independence.

Seventh, the well-known CONSAD study, carried out for the Treasury in 1969, concluded that depletion was costing America's taxpayers $1.4 billion a year at that time, but was increasing oil reserves by only $150 million a year. Rarely has the American taxpayer had a poorer bargain or been more badly served by a specific section of the Internal Revenue Code.

In opposition to the present amendment before the Senate, those who support the depletion allowance argue that repeal of depletion may raise the cost of gasoline at the pump, possibly by as much as 3 cents a gallon.

But that estimate assumes that the full loss of the depletion tax benefit will be passed through directly to consumers. I say, all of that amount can be absorbed out of oil's enormous profits. Not a penny need be passed along to the American consumer, and oil profits will still be out of site.

In addition, the calculation assumes a 48-percent effective tax rate on oil profits. But in fact, the effective tax rate of America's major oil companies is far lower, only about 5 to 6 percent.

Mr. President, I ask unanimous consent that a table of the Federal income tax rates paid by the largest oil companies may be printed in the RECORD.

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

*Federal income tax rate paid by largest oil companies, 1974**

| | Percent |
|---|---|
| Exxon | 6.5 |
| Texaco | 1.7 |
| Mobil | 1.3 |
| Socal | 2.05 |
| Standard of Indiana | 10.2 |
| Shell | 21.6 |
| Gulf | 1.2 |
| Arco | 3.7 |
| Phillips | 12.9 |
| Conoco | 8.2 |
| Sun | 13.2 |
| Union | 6.4 |
| Cities Service | 8.3 |
| Getty | 22.5 |
| Marathon | 7.5 |
| Ashland | 32.4 |
| Standard of Ohio | 12.8 |
| Kerr-McGee | 23.3 |
| Amerada Hess | 7.5 |
| Average | 5.99 |

*Source: U.S. Oil Week computations based on company annual reports and SEC reports.

Mr. KENNEDY. Therefore, even if the cost of the repeal of depletion is fully passed through to the consumer, the increase at the pump would be more like one-third of a cent a gallon, hardly a significant factor at today's 60 cents a gallon prices.

Next, the proponents of the depletion allowance argue that repeal of depletion will put many small independent oil producers out of business.

That argument might have made sense a year ago. When oil was selling at $3.50 a barrel, many independent drillers were going out of business. But, with new oil

now at $10 to $11 a barrel, a major boom is clearly on for the independents. They will not miss a stride if depletion is repealed. Price is all the incentive they really need.

The only limit now on the independents is the shortage of steel and drilling rigs and other oil equipment. In fact, the price incentive is so strong that independents would be drilling in their driveways, if they could.

The current issue of Fortune magazine makes the point, in an article entitled "The New Oil Rush in Our Own Backyard." The article begins:

> These are tremendous times for independent oilmen, the best many of them have ever known. After nearly two decades of increasing hardship, spectacularly higher prices for oil and gas have suddenly thrust the independents into a new prosperity.

Capital for independents is gushing in today from many sources. It comes in part from the larger cash flow brought about by higher prices; it comes from private investors; it comes from capital raised through publicly held "drilling funds" it comes from syndicated tax shelters; it comes from corporations anxious to nail down their own future energy sources, major corporations like Bethlehem Steel, Dow Chemical, and Du Pont.

Compared to the strong incentives that exist for independents, the repeal of the depletion allowance is not a significant factor in their future.

No one likes to lose a tax loophole, and so the arguments being raised on behalf of the independents are understandable. But the Senate can vote for repeal of depletion with full confidence that the independents and every other driller in America has all the incentive he fairly needs to explore and drill for oil.

Finally, the proponents of depletion have traditionally argued that the return on equity for oil is below that of other industries. They claim that repeal of depletion will stop the flow of capital into oil.

But even before the record profits of 1973 and early 1974 began to roll in, this argument was misleading, since it relied on the rate of return for all phases of oil operations, not just the production end.

In addition, in the pre-1973 era, other measures of profitability besides return on equity showed that oil was doing very well. For example, oil profits were 6.5 percent of sales in 1972, compared to 4.2 percent for all other manufacturing businesses.

After 1973, even the argument based on return on equity does not exist any more. Profits for 1973 were the highest in the history of the oil industry, increasing the rate of return on equity from 9.7 percent in 1972 to 15.1 percent for 1973, far above the average for other industries.

And based on current prices, the rate of return is likely to jump to a phenomenal 19 to 20 percent in 1974, and it will soar even higher when price controls are finally removed.

In sum, in America in 1974, oil is a very profitable investment indeed. The depletion allowance is no longer wise or needed, and the Senate is fully justified in voting to repeal it.

Mr. HUMPHREY. The Senator is right.

Let me just say to the Senator from Massachusetts and the distinguished Senator from Arizona, and many others, when food prices went up for the farmers, when wheat prices and corn prices went up, we said "No more subsidies." We said, "Mr. Farmer, you are on your own; no more subsidies, because you are going to make it off the price of your goods."

But when the oil prices go up—and those oil prices make every farmer look like he is a candidate for the poverty program—the defenders of the oil industry come in here and say, "Do not touch the subsidies of the poor, little, weak oil companies. Do not touch them."

The Senator from Massachusetts has spoken the truth here when he pointed out that as the price of oil has gone up—and it is going to stay up—that is the incentive that an independent oilman needs. And, believe me, if we do not have enough incentive at the price of oil now to drill for it, we will never have it.

Maybe this industry has been too pampered; maybe it does not have good old American self-reliance; maybe it has been on the welfare program too long; maybe it is the victim of welfareism. I think, possibly that is true. Maybe it needs to get back to where it has to, operating on the basis of finding something that can produce and sell at a profit.

I happen to believe that the industry needs a fair return.

Mr. FANNIN. Mr. President, will the Senator yield at that point? All these oil companies are independent drillers today, as they were 10 years ago, and they made so much money that they went out of business, they went bankrupt.

Mr. HUMPHREY. May I say that the Senator has made the best argument for doing away with the oil depletion allowance. He has proven that the oil depletion allowance is not worth a lot because the oilmen have had it and they have gone out of business anyway. The thing they need is a good price, and they have a good price. Get off of this welfare kick.

Mr. FANNIN. A total 550,000 wells have been drilled. They are doing a pretty good job.

Mr. HUMPHREY. The Senator said a while ago that they were going out of business.

Mr. FANNIN. That is right, they have, but the Senator and others did not give them a chance.

Mr. HUMPHREY. For years since the 1920's they have had the 27.5 percent depletion allowance.

Mr. FANNIN. I do not know whether in Minnesota——

Mr. HUMPHREY. Wait a minute, Senator. Since 1969 they have had the 22-percent depletion allowance, and during that time they went out of business, the Senator said.

Mr. FANNIN. That is right.

Mr. HUMPHREY. During that period of time they went out of business. When did they come back? We do not have oil.

Mr. FANNIN. We do not have very much oil in Arizona, but we are drilling for it.

Mr. HUMPHREY. I hope you get it, too, Senator, believe me, because the price is good.

Mr. FANNIN. May I get this in before the Senator finishes his sentence?

Mr. HUMPHREY. Well, as a matter of fact, I will accommodate the Senator under the rules of the Senate.

Mr. FANNIN. I thank the Senator kindly.

When the depletion allowance went from 27.5 percent down to 22 percent, exploration in my State dropped almost in half. I do not know about Minnesota.

Mr. HUMPHREY. As a matter of fact, it did not drop in our State at all. We were very fortunate.

Mr. FANNIN. The Senator sure is.

Mr. HUMPHREY. We did not have any wells, but it did not drop.

Mr. FANNIN. I am sure they are drilling for oil.

Mr. HUMPHREY. It did not drop in Minnesota, but we would be glad to have it. Let me say that there is nothing we would like better than an oil well.

Mr. FANNIN. We want to get petroleum production in this country; we do not want to be dependent on foreign oil; is that true?

Mr. HUMPHREY. Senator, the more we can be dependent on our own resources, the better.

Mr. FANNIN. Should we not give an incentive to the producers in this country? I believe cutting off the depletion allowance to the companies doing business in foreign countries is appropriate; I am not against that, but we should increase it in this country, if it is necessary, so that we can get more production, which will mean more jobs, more revenue and more taxes; and everybody would benefit.

Why should we pick on our own industry when they are trying to do a job, for these individuals are drilling 75 percent of the wells, and I think they are doing a great job.

Mr. HUMPHREY. May I say that if the price of oil was $2 a barrel we could, maybe——

The PRESIDING OFFICER. The gallery will be in order. If the gallery responds again, I will ask the people to clear the gallery.

Mr. HUMPHREY. Do not be too harsh, Mr. President.

May I say to my good friend from Arizona that if there ever was a justification for the depletion allowance it was when the price of oil per barrel was so low that they could not make a good profit on it, but I have heard Senators from that side of the aisle and on this side of the aisle argue that there is nothing better, no greater incentive than a price. They have got the price, Mr. President. They have got it up here in the stratosphere. You can hardly reach it.

The PRESIDING OFFICER. Does the Senator from Minnesota yield more time, and, if so, to whom?

Mr. HUMPHREY. I do not want to cut off my friend from Arizona.

Mr. FANNIN. If every well were a pro-

ducing well, then I would agree with the Senator, but he knows that 9 out of 10 wells are not producing wells. They have drilled in my State probably several hundred, and still the only place we have a little bit of oil is where it leaked over from New Mexico, over the line from the Navajo Reservation; but the thing about it is, we do not get an oil well with every drilling, so the Senator must realize there must be an incentive.

Mr. HUMPHREY. I fully understand that.

Mr. FANNIN. This is a risky business.

Mr. HUMPHREY. Will the Senator listen now to me for just a moment?

Mr. FANNIN. Yes, fine.

Mr. HUMPHREY. I appreciate the Senator's argument, and I know that many of the drillings do not produce oil; in other words, dry wells.

Mr. FANNIN. Most of them.

Mr. HUMPHREY. Most of them, I agree. Therefore, for those wells the depletion allowance would be meaningless.

Mr. FANNIN. They cannot get the funds to go on and drill the others without it.

Mr. HUMPHREY. What is it that makes them want to drill the well? They know first of all that, say, 8 out of 10 drillings are not going to produce a well, so it is not the depletion allowance that gives them the incentive. What it is is the price they get when the price is up—and the price is going to stay up. That is the incentive. That is the incentive for the farmer to produce wheat; that is the incentive for a factory to produce a car: price and profit. And, Mr. President, I have heard from these private enterprise specialists that are here in this body that the greatest thing that we have in this country is the market forces. Let the market forces work. And the market forces are at work. What is the market force? Price.

The oil industry has had price increase after price increase, and we have been lectured to by the economists of this administration—Dr. Herbert Stein, among others—that the best thing for our economy as an incentive is not a tax incentive but a price incentive.

Now what do I hear? I hear that the oil companies, big and little, have it better than they ever had it before. Better than they ever had it before; yet they not only want the price, but they also want the subsidy. I can understand why they want it, but they are not going to get it.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. RIBICOFF. I have followed the discussion among the distinguished Senator from Minnesota, the Senator from Arizona and the Senator from Massachusetts with interest, and I agree completely with the Senator from Minnesota. May I give the Senator a few facts to buttress his position?

The repeal of the depletion allowance as submitted will leave $7 billion as of after-tax profits in 1974. This is an increase of $3 billion over 1973 profits with depletion. At these profit levels the domestic producing industry is going to be able to raise all the capital it needs.

The Senator is correct; repeal of depletion will not injure the independents as contended by my friend from Arizona. The small producers, the so-called independents, sell more than one-half of their total domestic production at uncontrolled prices of more than $10 a barrel; so the independents proportionately are receiving the largest windfalls in the industry. Their windfalls are even larger than the majors.

Mr. HUMPHREY. This is what we call the new oil.

Mr. RIBICOFF. And they are getting it.

Mr. HUMPHREY. And that is the oil that is not under any price control.

Mr. RIBICOFF. Also, may I point out that there is no question that the repeal of depletion will alter the profits of independents, but what profit levels are really needed to sustain adequate independent domestic oil exploration development as contended by my friend from Arizona?

Independents currently are getting the largest profits in the domestic industry. Uncontrolled oil is selling for more than $10 a barrel compared to $4 a barrel a year ago in 1973, and the Federal Energy Office estimates that 56 percent of all uncontrolled oil is sold by the independents, and that uncontrolled oil is 38 percent of the market.

So the independents are selling more than half of their production free of price control. With the profit that they are receiving so vast, I do not know why they should expect an additional subsidy, which we are giving them in the form of the oil depletion allowance.

Mr. FANNIN. If the Senator will yield I will answer the question.

Mr. HUMPHREY. I yield to the Senator.

Mr. FANNIN. When he is talking about the great profits these independents are making, they do not know about that, and if the Senator is telling me that, I better carry it along to them, because they do not know about it. I will bring in and I will put in the RECORD telegrams from them as to the effect this will have upon them.

The Senator from Connecticut says it would not have any effect. They do not know it would not have any effect on them. They certainly are very concerned about it, because they know their investors will not make the funds available to them unless they have the depletion allowance, which is a risk proposition. It is to cover their risk.

Mr. RIBICOFF. If the Senator from Minesota will yield, in answer to that——

Mr. HUMPHREY. Yes, I yield.

Mr. RIBICOFF. I asked the Library of Congress to get me profits after taxes for 10 selected major U.S. independent oil companies; not the majors.

Apco Petroleum, percentage of change of first quarter, plus 240 percent.

Belco Petroleum, 104 percent.

Charter Petroleum, 559 percent.

Kewanee, 70.4 percent.

Louisiana Land & Exploration, 79.2 percent.

Mapco, 50 percent.

Natomas, no change.

Superior, 223.4 percent.

Tesoro, 343 percent.

Now, this is not Gulf or Texaco or Exxon. These are the so-called independents.

It was the Library of Congress I asked for this, and they presented it to me. These are independents.

Mr. FANNIN. Will the Senator yield on that question?

Mr. HUMPHREY. Yes.

Mr. FANNIN. What was the return on investment? What did they make last year? What does this compare to?

Mr. RIBICOFF. It is the old story. The majors are using the return on investment. I know that when an oil company gets a 600 percent larger return that it is an invidious comparison when we look at what they have been making; and we see what has been happening with oil profits. They are the largest profitmakers of all industry extant in the United States today, or in the world, as a matter of fact.

Mr. HUMPHREY. May I say that for a few moments the Senator from Minnesota is going to occupy the floor, and then we will come back to a free-for-all once again, but we need to get a little more information on this whole subject of percentage depletion, and we are going to go into the question of the independents, because they are a separate type of enterprise. We recognize that, and we are going to deal with these subjects, hopefully, with reason and sensibility.

I want to state again that the biggest argument for the percentage depletion in the past was that it would mean development of new oil supplies. Again, however, the price increases of late 1973 and 1974 have created a new situation in which this incentive is not needed. The old arguments no longer are adequate.

Just as I said a moment ago, we do not go around now paying corn farmers a subsidy payment when corn is $2 a bushel. We do not go around paying wheat farmers a subsidy payment when wheat is $3.75 or $4 a bushel. If we were to continue this depletion allowance, the farmers ought to come in here and say, "Look, we want our old subsidy payments. We do not care whether wheat is $5 a bushel or $6 a bushel; give us our old subsidy payments."

Everyone should come in and demand a subsidy. They do not do that. The farmer says, "Give us a fair price, and we do not want any subsidy."

What do the oil companies say? They say, "Let us get as high a price as we can get, and give us all the subsidy you can give us." That is what they are saying. Whether it is a multinational company or one of the independents.

Now, a year ago——

Mr. CRANSTON. Mr. President, will the Senator yield for a unanimous consent request?

Mr. HUMPHREY. I yield for that purpose.

Mr. CRANSTON. I ask unanimous consent that Jonathan Fleming of my staff may have the privilege of the floor during the consideration of this measure.

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

Mr. HUMPHREY. Mr. President, I ask unanimous consent that Olivia Mitchell be granted the privilege of the floor during the consideration of this measure.

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

Mr. HUMPHREY. Mr. President, a year ago, when oil was selling for $3.60 a barrel, percentage depletion saved the producers about 40 cents in taxes on each barrel. But freely priced domestic oil has gone up by more than $6 per barrel, or by 15 times as much as previously was received from depletion. The increase in price-controlled oil is about four times as much as depletion previously provided. As was stated here by the Senator from Connecticut on the new oil under the Federal Energy Act, it is not controlled.

Price boosts of this magnitude make even percentage depletion look like a minor detail. We have been told by industry and administration spokesmen that the era of cheap energy is over forever. If these price boosts are not high enough to induce the oil industry to find oil without special tax favors, then how high do prices have to go before the oilmen will take their hands out of the taxpayer's purse?

As an incentive to supply, percentage depletion always has been fantastically expensive. Even before the big leap in oil prices, it cost the Treasury an average of about $1 billion. This covered nearly 40 percent of all exploration outlays by the industry, including acquisition of acreage, geological tests, drilling, and overhead. This is a very large subsidy. This year it would balloon, as indicated, to the range of $2 to $3 billion. But it is not applied so as to be an effective stimulus to exploration. First, it does not benefit exploration directly but only actual extraction. Second, much of it goes to landowners or equipment rental firms not involved in exploration or in risk-taking in any significant way. In other words, percentage depletion splashes money on everyone associated with a producing well, which may be reinvested in exploration but may just as well go into real estate or a new car. Careful economic studies have indicated unambiguously that it is very ineffective relative to its large cost in stimulating exploration. On the other hand, it stimulates excessive drilling of known reservoirs to extract the oil speedily and obtain the subsidy with a consequent loss of reservoir pressure and reduction of ultimate oil recovery.

INDUSTRY INVESTMENT REQUIREMENTS

On one hand, we are told by industry apologists that an attractive return must be provided to induce energy investments. In the next breath, we are told that we must continue to hand them some of the money to invest in the form of costless tax subsidies like percentage depletion. They want us to pay them a good return on our money. I do not believe they have it both ways.

It has been estimated that stupendous volumes of capital will be required for future energy facilities, and the energy interests and their banker allies claim that the industry will be able to raise these amounts only if permitted to keep their tax subsidies. I consider this a misleading, self-serving proposition.

First, the estimates of investment needs are based on extrapolations of past growth rates of energy use and are therefore exaggerated. A national energy conservation effort already is under way. Past consumption trends already have been broken by the tremendous leap in prices. The Ford Foundation Energy Policy Project estimates that we could reduce energy growth in this country by more than 30 percent in the next 15 years if we try.

Second, energy investments are not limited by any lack of funds but by the pure physical capacity of the industry and its equipment suppliers. One of the big problems today is lack of drilling equipment, not the lack of incentive. There is a shortage of equipment.

Higher monetary commitments in the face of these constraints will only bid up the costs without increasing output. Meanwhile, the energy industries hold very large investments in real estate, manufacturing and other nonenergy fields.

We should take note of the fact that Mobil has proposed the purchase of Montgomery Ward, and Gulf Oil proposed earlier this year to purchase the Barnum and Bailey Circus. That is what they want to do with their money. They want to explore for and develop oil wells on the third floor of Montgomery Ward. Gulf Oil has been acting like a circus so they decided to buy one—Barnum and Bailey or the Ringling Brothers. They need a circus like that as much as they need three holes in their heads. They should be out drilling for oil wells. They have made lots of money, and that money should be used for productive purposes.

So what we are really talking about here is excessive funds in the hands of oil companies that will just facilitate acquisitions and consolidations of competing suppliers and of raw materials resources in the hands of existing firms. This is what we really are buying with continued subsidization.

Finally, the oil industry has the lowest debt-equity ratio in manufacturing. It has a tremendous untapped borrowing capacity. Under this condition, why should it expect the hard-pressed taxpayer to come bearing gifts from which to finance supplies to be sold back to him at exorbitant prices? This cheap financing will not get us our oil any cheaper so long as prices are determined by the Mideast cartel. It will just continue to inflate the profits and the costs of the companies.

It is very important to note what I have said here, that the oil industry has the lowest debt equity ratio of any part of the American economy. What they would like to do is to be able to pay for everything out of their profits. That is not the way to build great industries in this country.

EFFECT OF DEPLETION REPEAL ON OIL PRICES

It is wrong to say, as do proponents of depletion, that repeal of this tax break would bring another increase in oil prices for consumers. Although this might have been true when U.S. oil prices were cut off from world prices by our import quotas, it is not true since the quota system was scrapped in May 1973, and since prices rose to levels completely out of touch with production costs.

Mr. President, is there anyone in this body who will stand up here and say that the price of oil is related to production costs? I challenge anyone to prove that the price of oil today is based on production costs.

That is the issue.

The only reason there should be any kind of tax favoritism is if the costs of production are so low relative to the prices at which we sell that we cannot make a profit. We have other subsidies. We have had the subsidy on the merchant marine, for example, because the cost of producing ships and the cost of manning them was considerably higher than world market levels. So there is a relationship here between the cost and the price. But in oil, the price went up just by edict. Would it not be nice if some little merchant up on one of our streets could simply say, "Well, tomorrow morning, we will charge twice as much. I am sorry but you folks will just have to pay it." That is what we were told by oil. Do not blame it on the independent oil producer, but it is a fact of economic life, and I repeat, there is no relationship between the cost of production and the price. Prices have been pushed up arbitrarily, but any argument for any form of subsidy to the industry has got to be based on the necessity of the subsidy to help keep the industry alive.

Is the price of oil so low relative to the cost of production that we have to give the industry a tax benefit? In some industries we can make that case but not in the oil industry, and the supporters of the industry know that is the truth.

Oil prices are not related to taxes or to the cost of production. They are based on what the Arab nations, the OPEC countries, want to charge. That is basically what it amounts to, and our companies basically go along. Many of the big American companies today are deeply involved with investments in the Arab lands, in Venezuela, and in other places.

Mr. FANNIN. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. FANNIN. I think the Senator realizes that 70 percent of the oil is selling at $5.25 a barrel, and that is the price that has been set by the Cost of Living Council.

Mr. HUMPHREY. The average price——

Mr. FANNIN. Of course, the other price does seek its level. That is right. But let us go back the other way and see what we have done by Government control of natural gas.

Mr. HUMPHREY. We are going to get to that. I am not talking about that right now.

Mr. FANNIN. The Senator is talking about the reason for the oil prices. They were held down for years because of the low price of natural gas. I think the Senator realizes that. That is also true from the standpoint of coal. For many years, we had coal utilization for about 40 per-

cent of our energy, and now it has dropped to about 18 percent. Why has it dropped? Because unrealistic prices of natural gas have caused it to be noncompetitive.

Mr. HUMPHREY. The Senator makes my argument. There has been a subsidy on natural gas.

Mr. FANNIN. It is just the opposite.

Mr. HUMPHREY. When there is a depletion allowance on an oil well, you get natural gas at the same time. Gas is eligible for a depletion allowance.

Mr. FANNIN. I know that. But approximately 70 percent of natural gas comes from wells and about 30 percent from refineries.

Mr. HUMPHREY. Yes.

Mr. FANNIN. So when the Senator is talking about prices and the relationship, I think he is confusing the issue. The price of oil was held down because of the controlled price of natural gas. The amount of natural gas available to the American consumer today has been held back because the Federal Power Commission controlled the price of gas.

Mr. HUMPHREY. And they just raised the price almost 100 percent on a large share of the regulated gas. And intrastate gas is not regulated.

Mr. FANNIN. It was one-fifth of the cost of oil, so far as Btu content is concerned, and it still has not reached its level from the standpoint of the Btu price.

Mr. HUMPHREY. I say quite honestly to the Senator that the best mechanism for regulating an economy, as I have been told here repeatedly, is the price. We have been told that the best way to ration the supply was price. We have been told that the best incentive——

Mr. FANNIN. Will the Senator vote for deregulation of gas?

Mr. HUMPHREY. I think everybody is entitled to a fair return.

Mr. FANNIN. Then, the Senator wants to subsidize the oil companies, to be sure they have a fair return.

Mr. HUMPHREY. A fair return? I will settle for a fair return of Gulf Oil.

Mr. FANNIN. If the Arabs decided that they wanted the price of oil to be $3 a barrel, they could easily do it. It cost them 12 cents a barrel. Then the Senator would be in a different position.

Mr. HUMPHREY. If the price of oil goes down to $3 a barrel, the oil companies will still make a handsome profit. They did so when it was $2 a barrel.

Mr. FANNIN. That is not factual. We are in an entirely different market today. We have had inflation, as the Senator knows.

The Senator is looking back at prices, and I am sure that if he looks back at his drugstore, he will find that the prices that were in effect years ago are not in effect today. Times have changed, and conditions are different.

Mr. HUMPHREY. May I say to the Senator that I am fully aware of the changes that have occurred in the price structure. That is what I have been talking about. I do not think the price structure is going to go back to $2 or $3 domestically or internationally, and I do not think anybody else in this body thinks that. I am saying that the greatest incentive to exploration, development, and production of any commodity is price and profit.

Mr. FANNIN. I agree. That is why I brought up the matter of natural gas.

Mr. HUMPHREY. There are times when we have to put on some controls for the public interest. For example, when controls are applied with respect to the telephone system, and to private utilities, generally there is a guarantee of some rate of return. But we are not talking about that here. We are talking about whether or not this industry needs a special tax subsidy.

If they need a special tax subsidy, it is the duty of those who are in support of that subsidy to prove that the industry is in trouble, that the industry is in financial difficulty. They need to prove that the cost of production is so high with respect to the price that they need something to bail them out. I defy the proponents to prove that. They cannot do it. The only thing they can come in with here is the tactic of saying, "If you don't give these big oil companies and these little oil companies the subsidy, they won't explore."

The Senator from Minnesota said that they have the subsidy; they have had it for almost 50 years. What is the argument I hear from the Senator from Arizona and others? They say that until last year, the number of independent producers has been going down and down and down, despite the fact that they have had subsidies. So subsidies are not the answer.

What has happened lately? Some of these companies are beginning to make some money. Why? Because of the subsidy? Not primarily because of the subsidy, but because of price.

All I am saying is that with the new price structure and with what we know to be the facts of economic life today, the day for the oil depletion allowance is over; it is obsolete; it is an unfair tax privilege. It is unfair to the average taxpayer. It is unneeded by the oil industry. It does not result in greater production. It certainly does not result in any lower prices; not one bit. In fact, there is no evidence to indicate that prices are going to go lower at any time.

Mr. FANNIN. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. FANNIN. I challenge the Senator when he says that it has not accomplished the objectives of more exploration and more development. How can that be, when we are so far ahead of the other nations of the world in the amount of exploration and development? We have gone to other countries and have assisted them with our technology. That has come about because we have had the financial incentive. The depletion allowance was one of the greatest incentives to the wildcatter, to the small independent, and that is why he has drilled 75 or 80 percent of the wells.

When the Senator says we do not need it, I think he is talking about an entirely different picture. If he is talking about the major oil companies, I know that one of the major oil companies made a statement that they did not need it. But they said they did not want to be harassed any more, so they would just as well do without it.

We do not know what the prices are going to be in the future. This is not an off-again, on-again program.

We are in a difficult situation today. I think the Senator agrees that we face shortages next winter. We do not know what is going to happen. We have to import 35 percent of our petroleum. If we had handled the FPC on the same basis we handled the depletion allowance, we would not be in this fix today, because we would have greater drilling, we would have deeper wells, we would have natural gas at a decent price, we would have coal, and the other products would have come forward along with these fuels.

So I think the Senator is misleading himself when he says that we have not accomplished a great deal with the depletion allowance.

Mr. HUMPHREY. The Senator from Minnesota is not trying to mislead himself or anyone else. I am simply taking the arguments made here today by the distinguished Senator from Arizona and others—namely, that during recent years, the number of independent operators has decreased, and all the while the oil depletion allowance was maintained. In the last 16 or 18 months, the number of independent operators has increased, and they have done better. They have done better because they get a better price.

Mr. BARTLETT. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. BARTLETT. The Senator said that the depletion allowance has been maintained, but I believe the Senator will recall that the depletion allowance has not been maintained at 27.5 percent. It was reduced in 1969 to 22 percent. When that happened, it added $500 million extra cost in taxes to the oil companies, which equated with approximately 17 cents a barrel of income. So it increased the cost. It decreased the profits, and it continued to decrease the amount of exploratory effort going on.

I am just quibbling over the use of the term maintained. Congress did see fit to reduce the depletion alowance in 1969.

Mr. HUMPHREY. From the late 1920s to 1969, the depletion allowance was 27.5 percent.

Mr. BARTLETT. Yes.

Mr. HUMPHREY. That is a tax subsidy, and everybody knows this. So when the Senator from Oklahoma says that they increased the taxes by $500 million, it was not that at all. He means that they decreased the subsidy by $500 million.

Mr. BARTLETT. Mr. President, will the Senator yield?

Mr. HUMPHREY. The oil depletion allowance is not a tax. The oil depletion allowance is a gift. So let us get our terminology straight.

What it really meant was that the bonanza of 27.5 percent was reduced to 22 percent.

Mr. BARTLETT. Mr. President, will the Senator yield further?

Mr. HUMPHREY. I yield.

Mr. BARTLETT. What I meant to say was that it would increase taxes by $500 million and this would increase the cost of doing business and it would reduce profit.

The Senator mentioned earlier the pricing profits and separating the matter of taxes. Of course, any increase in the amount of taxes decreases the profits or has the same effect as decreasing the prices. This happened in the case of the depletion allowance being lowered. Prior to the time it was lowered the price was in a plateau, and the price of crude oil in 1957 was $3.09 a barrel. Then it went down and did not regain that $3.09 a barrel until 1969, at which time Congress saw fit to reduce the depletion allowance which had the direct effect of reducing the price equivalent by 17 cents a barrel. This is why we had the decline in the number of independents from 20,000 to 10,000; profits were not there. The majors went overseas and explored because there was a chance to make a profit there. They started to discover what is now called cheap foreign oil. They started to bring in more and more of this oil, thereby undermining the domestic industry.

The matter of lack of profit opportunity and the lack of profit drove the independents out of business and it drove the majors overseas.

Mr. HUMPHREY. May I say to the Senator that there might have been a time when one could make a strong argument in this body for the percentage-depletion allowance, whether it be 27.5 percent or 22 percent. The argument could be made then on the basis that the profitability of the industy required it, or the lack of profitability of the industry to be more exact. Second, one could make that argument on the basis that cost was so high relative to price that they needed a subsidy.

But that argument cannot be made today. The very argument used in the debates years ago for the depletion allowance is the best answer we have today for its removal. I was in this body when the late Matthew Neely, who was the author of the depletion allowance in the House of Representatives, used that argument as the reason for which a depletion allowance was needed. It was said at that time that this was one way we could assure profitability in the industry, and that with profitability there would be exploration and development.

But today, as I have said, that profitability of the industry is a matter even of some embarrassment for the industry itself. Today the profitability in this industry is clear and inevitable, and the price they get for the product is a high price. That is the incentive we need, the incentive for further exploration.

Let me say again a word about what would happen in terms of some of the price levels:

Imported oil—some 35 percent of our consumption—is produced without significant depletion claims, and the elimination of depletion would not materially affect its cost structure. Freely priced domestic oil—another 20 percent—tends to rise toward the inordinate price of imports. As everyone knows, that price is quite independent of costs, including taxes, and so changes in taxes would not affect it. Even the price ceiling on federally controlled oil—the remainder of U.S. consumption—is no longer even remotely based on costs, and the repeal of depletion would provide no reason to change it.

A businessman must take into account the cost to produce the product and to merchandise it, and then he has a markup or profit. But in the oil industry there is no relationship between the cost of the product and the price of the product. The price is just set arbitrarily. That is the fact we face today, which is entirely different from the situation we faced some years ago.

WHY NOT PHASE OUT DEPLETION MORE GRADUALLY?

There are those who say that if we are going to do anything about the depletion allowance we should do it gradually. There is merit to that argument.

Our proposal would carry out the reform much more quickly than the energy tax bill, H.R. 14462, which is now in the House of Representatives. It should be noted that that bill would take 3 years longer to phase out depletion for most oil and 5 years for the rest.

But the point needs to be made that the bill reported from the Ways and Means Committee in the House does get rid of the oil depletion allowance. They say we should do most of it in 3 years and wipe it out clean in 5 years. I do not believe the Ways and Means Committee has been unfriendly to the oil industry over its history. But that committee feels we can and should get rid of the depletion allowance; it is just a question of timing.

Frankly, I can see the wisdom in many cases of introducing major tax bills gradually to cushion their effects on pricing and to permit the taxpayer to adjust. But in the present case I do not believe it is necessary or wise to delay. First, it is a long overdue reform which can be enacted now without hurting the oil industry because the oil industry would be better off than ever before anyway.

Our proposal would carry out the reform much more quickly than the energy tax bill (H.R. 14462) under consideration in the House of Representatives. That bill would take 3 years longer to phase out depletion for most oil and 5 years to eliminate it for the rest. Second, people want action on oil profits now. The House bill's depletion reform does not apply this year and hardly touches oil profits next year. Our amendment would recoup twice as much revenue from depletion reform as the House bill in the first 5 years. Most of the difference would come in the 1974–76 period, when the oil companies are floating in profits that they don't know how to get rid of and ordinary taxpayers are sorely in need of tax relief.

Moreover, immediate depletion reform is the only way to raise revenues adequate to cover a substantial part of the tax cut that we propose in conjunction with it. There is no reason to delay and every reason to repeal this loophole immediately.

Mr. President, I had some prepared remarks in reference to our independent producers.

Mr. BARTLETT. Mr. President, will the Senator yield?

Mr. HUMPHREY. I am glad to yield.

Mr. BARTLETT. Mr. President, the distinguished Senator in referring to the depletion allowance said that it is a loophope. I would like to advise the Senator that when the income tax law was adopted, and I believe it was in 1913, the depletion allowance was a part of that.

Mr. HUMPHREY. May I say that the depletion allowance of 27.5 percent—and I may be in error on this because it has been some time since I argued about oil taxes—was enacted in 1925—1925 or 1926.

Mr. FANNIN. Yes.

Mr. HUMPHREY. In that period of time.

Mr. BARTLETT. I am quite sure the depletion allowance started in 1913 at the same time they adopted the constitutional amendment with the income tax on citizens, and then in 1919 we had the percentage depletion and the cost depletion.

My point is that this was not an oversight. It was a very definite provision for purposes of a depletable asset.

Mr. HUMPHREY. I accept the Senator's statement. I know he is well informed in this area of the tax law. I am of the opinion that the large depletion allowance was in the period 1925 to 1926.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield for a question?

Mr. HUMPHREY. I yield.

Mr. ROBERT C. BYRD. Would it be agreeable at this time to enter into an agreement that the 1 hour for debate on the motion to invoke cloture tomorrow on the amendment of the distinguished Senator from Minnesota will begin running at 12 o'clock noon so that the mandatory call for a quorum would begin at 1 o'clock, with the mandatory rollcall vote to occur immediately thereafter? Then, all Senators would know what time the vote is to occur.

Mr. HUMPHREY. I see no objection.

Mr. FANNIN. Mr. President, reserving the right to object, I would appreciate it if the Senator would withhold the request until the Senator could check with Senators who are now away from the floor.

Mr. ROBERT C. BYRD. I am glad to withhold the request. The time I suggested first came from the Senator's side of the aisle. I checked it with the Senator from Montana (Mr. MANSFIELD), who is the chief sponsor of the cloture petition.

Mr. FANNIN. I will tell the distinguished Senator from West Virginia that within the next few minutes I shall be very pleased to enter into an agreement with him.

Mr. ROBERT C. BYRD. Very well, I thank the Senator from Arizona, and I thank the Senator from Minnesota.

Mr. HUMPHREY. Might I say to the Senator from West Virginia that if in the next few minutes the call comes back and there is no objection and the Senator from West Virginia happens to be off the floor, we just could renew the request

on the terms that the Senator has outlined.

Mr. ROBERT C. BYRD. Will the Senator yield?

Mr. HUMPHREY. Yes.

Mr. ROBERT C. BYRD. May I say, we could do this without any agreement. As a matter of fact, all we need to do is adjourn until 12 o'clock noon tomorrow, which is the regular meeting for adjournment, and rule XXII would take effect.

Mr. FANNIN. Mr. President, I am sure there will be no objection.

Mr. ROBERT C. BYRD. Yes, I understand.

Mr. HUMPHREY. As has been stated so clearly in this debate with some fervor on both sides, the amendment before us does wipe out the percentage depletion for oil and gas with no special exemptions for the smaller producers.

Personally, I do share the concern of my Senate colleagues about the role of the independent producers in the oil industry, and I want it very clear that I am dedicated to their survival.

Mr. BARTLETT. Will the Senator yield?

Mr. HUMPHREY. I yield to the Senator from Oklahoma.

Mr. BARTLETT. I would like to ask the distinguished Senator from Minnesota, not really on this point he is making now, but the point tied in with the fact he did state that the elimination of the depletion allowance only pertains to oil and gas and not to other minerals. Could the distinguished Senator tell me briefly why that is, why he is discriminating against one industry?

Mr. HUMPHREY. Yes. I think there is a good reason for it. First of all, the price structure in the oil industry is very different from many commodities. Prices for oil are arbitrarily set today. Second, the profitability of this industry I think has become a matter of great public concern. It is almost out of hand with the high prices, most of which are dictated by the Mideast oil cartel on the one hand and some of which by our own rules and regulations.

Therefore, I do believe that the price structure in the oil industry, which is not related to production cost, makes it a rather unique industry.

Therefore, the type of tax subsidy which the oil depletion allowance provides is no longer needed, no longer desirable.

Mr. BARTLETT. Will the Senator yield?

Mr. HUMPHREY. Yes.

Mr. BARTLETT. I would like to advise the distingnished Senator from Minnesota that the price structure today, both oil and gas, is controlled, as he knows, in total, at least, by the Federal Power Commission, partially by the Federal Energy Agency in the case of oil.

Approximately 30 percent of our domestic oil is controlled in the free market and seeks a level of close to or at the level of the foreign prices. The remaining, roughly, 70 percent, is controlled in price, whereas in the other minerals and all other businesses in the country there is not a controlled price on anything at the present time.

Mr. HUMPHREY. I understand, sir.

Mr. BARTLETT. So I would like to point out that the Senator is talking about prices, profits generated from those prices, that are not at the level of the free market.

Mr. HUMPHREY. I think the Senator makes a valid point, particularly in the part where we have the Federal controls. But the prices of uncontrolled oil are not exactly competitive prices. They are cartel prices.

And may I say that in the natural gas industry—and I know that I am talking to a Senator who is very knowledgeable about this industry, as is the Senator from Arizona—is it not true that about 50 percent of the natural gas is uncontrolled in the intrastate rather than the interstate market? And then, did not the Federal Power Commission recently increase the price of a large amount of regulated interstate gas from an average of about 22 cents to 42 cents? This was considered an equitable price adjustment.

Personally, I believe the whole subject of the natural gas controls ought to be opened up for very serious debate and reexamination. I think there is merit to much of the argument that has been made here by some of the proponents of such a debate, even though that is a subject that I think needs more examination than I have been able to give it from my personal point of view; but I am not locked in on that.

Mr. BARTLETT. I appreciate that very much because of the matter of the controlled prices I mentioned earlier, and this ties in with depletion because when we reduce depletion allowance, we increase the costs of doing business, we increase the taxes, we therefore decrease the profits, we decrease the amounts of money that may be reinvested, we also decrease the opportunity for borrowing equity capital for further development.

So we do hamper the current exploration effort that is now going on.

For the period of the controlled prices, the Senator is talking about, the drilling activity starting in 1956 started declining in 1971, resulting from the lack of profit, resulting from the control and low prices.

We still have these controlled prices, and even with the raise the Senator mentioned in natural gas, the depletion allowance that he is going to exempt or eliminate will increase the cost or reduce that effective price, and yet that effective price is only about half of what the free market price is in the interstate market.

We are not going to see any significant increase in the shipments of interstate gas to gas-short areas, such as the east coast, the Chicago area, I am not sure of Minnesota, I do not have any idea, but, certainly, perhaps the State of Minnesota.

The concern that some of us have is, how are sufficient supplies of natural gas and domestic supplies of oil going to be brought about if the efforts are continued to be made, such as the distinguished Senator's amendment proposes to do, to increase the costs of doing business, decrease the profits to bring about less drilling, bring on more imports of high-cost foreign oil, make this Nation that much more reliant upon the Arab countries? I think the distinguished Senator will agree with me that their source of supply over the years has not been a reliable source for this Nation and that we must rely on our domestic supply.

So I would like to ask the distinguished Senator, why does he want to reduce the exploratory effort now going on, which his amendment will do, by increasing the costs of drilling wells?

Mr. HUMPHREY. Well, Senator, I will give my answer, if the Senator will listen to me, in terms of what has happened to the profitability in this industry.

I do not deny that the cost of drilling wells has gone up, the cost of well drilling equipment has gone up, the cost of pipe has gone up, all these things have gone up. That is a fact. We know that. But I still say that much of the oil today is at an excessive price, particularly the international oil. The OPEC countries just set the price. It is not related to the cost. Much of the increase in domestic prices, moreover, is on old oil wells already drilled. Prices went up, but the costs of production or of drilling those wells were incurred years before.

Furthermore, the costs of exploration and drilling, as I have pointed out, are all deductible items.

Let me see if I can be more responsive to the Senator's very important question here.

Mr. BARTLETT. If the distinguished Senator would yield further on the point that he is now making, is it not the case that by eliminating the depletion allowance, it will increase very sharply the cost of drilling for oil? Is that not correct?

Mr. HUMPHREY. I do not think that it will have anything at all to do with the cost of drilling for oil, because the depletion allowance is only effective after the oil is obtained.

Mr. BARTLETT. All right. Is it not going to have the effect of decreasing the profits to the oil companies and decreasing the money that they will have for drilling wells, and also the opportunity for borrowing?

Mr. HUMPHREY. Well, as a matter of fact——

Mr. BARTLETT. Is that not correct?

Mr. HUMPHREY. Insofar as profitability is concerned, Senator, that will depend entirely upon the price in the marketplace as related to the cost of operating and drilling that well.

Maybe I am on the wrong wavelength with the Senator, but I want to be fair and I do not want to be ill-informed. It is my understanding that the only time the depletion allowance has any bearing upon the economics of the oil industry is when oil is discovered. The drilling costs and the exploration costs are all already covered by separate tax law. We are not touching this.

If the well comes in and oil is obtained, then the producer takes 22 percent of the full wellhead value of this oil as a tax deduction, so to speak, as a depletion allowance.

Mr. BARTLETT. The depletion allowance, of course, occurs during the whole time of production.

Mr. HUMPHREY. During the whole time of what, Senator?

Mr. BARTLETT. During the whole time of production.

Mr. HUMPHREY. The whole time of production.

Mr. BARTLETT. Of the producers. It can either be of the gross, as the Senator knows, or not, or cost depletion.

But the question I was asking was a very simple question and I know the distinguished Senator knows the answer. The cost of doing business for an individual operator or a small oil company or a big oil company will be increased as his taxes are increased, which will be a direct result of this amendment. The taxes would go up because of the depletion eliminated; therefore, the profits that the company can reinvest will go down. Is that not correct?

Mr. HUMPHREY. Well, as to the latter part, so far as the profits are concerned, the Senator can see there will be a reduction in profits, but we do not increase the taxes because the depletion allowance is a tax subsidy. It adds to the income of the company.

Mr. BARTLETT. Will the Senator yield?

Mr. HUMPHREY. It is a tax deduction.

Mr. BARTLETT. I beg to differ on the semantics. If the deduction is reduced from taxes, naturally the taxes are increased.

Mr. HUMPHREY. No; naturally, the subsidy is cut and profits are decreased.

Mr. BARTLETT. If the Senator eliminates this subsidy, he is going to decrease profits, increase the taxes, because this depletion allowance does reduce the taxes that are otherwise due and leaves more for profit.

Let me carry my point further.

Mr. HUMPHREY. One can take it either way. The only thing is, with the depletion allowance one can make more money, and without the depletion allowance out one supposedly will have less money.

Mr. BARTLETT. Not supposedly, Senator; he will have less money.

Mr. HUMPHREY. It will depend upon the market for one's product. It will depend a great deal upon the volume of sales and the price, because price minus cost is profit.

Mr. BARTLETT. Mr. President, will the Senator yield further?

Mr. HUMPHREY. Yes, I will.

Mr. BARTLETT. All right. With the greater cost of doing business and with the lesser profits that the Senator agrees will result, then there is going to be less drilling activity.

Mr. HUMPHREY. There is no proof of that.

Mr. BARTLETT. There is less money to do it with.

Mr. HUMPHREY. This is sort of like the bankers telling us what the interest rates need to be. There is a kind of mystique around here.

Mr. MONDALE. Mr. President, will the Senator yield?

Mr. BARTLETT. I will yield in just a moment.

This gets down to two points: Either the company could pass those additional costs of operation on to the consumer with an increase in the refined products, the end-use products, the gas, refined oil, and so on, or if he does not do that then there is going to be a reduction in the drilling activity, and less oil found, and the oil companies then will be required in order to have the same level of oil to bring in more high-cost foreign oil, and this high-cost foreign oil would raise the price higher than our domestic price, so that either way, either passing on the costs or importing more oil, is going to result in higher costs to the consumer from the Senator's amendment; is that not correct?

Mr. HUMPHREY. That is not correct, and I am going to address myself to it because it is a complicated process.

The argument the Senator makes is one which I have heard repeatedly. It is the argument made by the oil producers and by those who support the depletion allowance. They make the argument and they restate it. But merely to make it does not necessarily make it valid, and I want to address myself to it in a systematic way.

The Senator raises a point, and he is entitled to an answer, and I will try in the time I have here to give the Senator an answer.

Mr. BARTLETT. I will pay close attention to the Senator, and I would like the Senator to advise me of some oil operators who will support his thesis that this amendment of his, which eliminates the depletion allowance, would not result either in higher prices to the consumer either because of being passed on directly or because of larger imports of higher-cost foreign oil.

Mr. HUMPHREY. All I can say to the Senator is his argument tells us that the oil industry is not competitive, because if it is competitive, there is no reason why it should arbitrarily raise the price. And I am going to demonstrate here what the profit figures are for both independents and multinational corporations. If they want more profit than what these figures reveal, then all I can say is that they have an insatiable appetite. There ought to be some competition in this industry.

Mr. BARTLETT. The Senator just agreed a minute ago even though his amendment applies only to oil and gas, and that all the other minerals that currently are enjoying the benefits of the depletion allowance are in a free market, that the only area that is in a controlled market, with both oil and gas, is the oil and gas industry of the whole country, so we do not have the competition that comes from a free market. We have a controlled price at the present time.

Mr. HUMPHREY. One of the reasons we had it was because there was not any competition in the first place.

I can yield now to my colleague here.

Mr. BARTLETT. If the Senator will permit, I would just like to point out so far as competition is concerned in the oil and gas industry that 82 percent of the domestic wells are drilled by some 10,000 estimated independents. Of the large companies about whose profits we have been talking earlier, and counting them as 30 companies, they only drill 18 percent of the domestic wells drilled.

So I say it is competition. I cannot think of any industry that is more competitive than the exploration industry, other than agriculture in which, I know the Senator is interested and in which I am interested.

Mr. HUMPHREY. Yes, let me just point out the number of wells that are drilled and the number of operators drilling the wells do not tell you very much about the business of the oil industry. What is important about the business of the oil industry are the dollars, who has the money, not how many operators there are. There are a lot of little independent drugstores around, but they do not do very much business compared to the big ones. I am talking about where the money is and who controls the market, who really has the predominant influence in the market.

I am sure that no Senator here is going to tell me that some small private independent company has the same impact on the market as, say, Sun Oil or Standard Oil or Exxon or one of these big companies.

It is sort of like perpetuating a charade here to pretend that some of the smaller companies create real competition, because we have seen here in the last year what happened when the big oil companies decided to put the independents out of business. Thousands of independent retailers in this country were destroyed, thousands of them.

Mr. BARTLETT. Mr. President, will the Senator yield? I would like to repeat that we are talking about the exploration business. In the exploration business 82 percent of the wells are drilled by these 10,000, so it is obvious that they have a real impact in that market, and that they are competing for rigs, they are competing for pipe, and they are competing on a fair and equitable basis with others. But the impact of the majors is less than 20 percent in drilling the domestic wells.

So I think that the Senator, when he is talking about his amendment, must realize that the disastrous effect of this is going to apply to the middle man and it is going to hit him hard, because what this will do to the large company is they can pass on the costs, presumably, or they can go to other markets and other companes, and they can import more unreliable high-cost foreign oil. But the independent has the one business he is in, and he either can be in that business or find some other business, as many did during the sixties. But the independent must be able to accumulate the capital to drill the wells. He does not generate enough of his own.

Why does he find it possible to accumulate capital? Because of the depletion allowance which provides tax incentives for those in the higher income brackets who make their money as professional men or in some business and find it profitable because of this tax advantage to invest in the high-risk oil and gas business.

So the Senator's amendment has the direct effect of reducing the competition by giving more of the market to the major oil companies and by eliminating many of the independents who otherwise are providing this kind of competition in a very competitive business.

Mr. HUMPHREY. I appreciate the Senator's argument, and it is one that causes me concern. I have said, and I want to say once again, that I do not believe the continuation of ill-designed tax subsidies, regardless of current prices or profit levels, is the best way to assist an operator.

If the role of that independent oil man is declining—and it has been stated here repeatedly that it has been declining—this is not because of the lack of current profitability, and it surely could not have been because of lack of a depletion allowance, because the depletion allowance has been with us for many years.

I think it is rather because the biggest new oil developments are located offshore or sometimes in remote areas, such as the northern part of our State of Alaska, where the costs run into the hundreds of millions of dollars rather than in the hundreds of thousands and, as the Senator from Oklahoma has pointed out, small competitors frequently cannot raise this kind of money. I might add, they cannot raise it with or without percentage depletion.

Perhaps reconsideration of Federal leasing policy is a more suitable approach to this problem than perpetual subsidization. But I believe whatever action we take should be followed up by a special study of the future role of the independent oil men, and I am going to propose that Congress pursue such a study with an eye to the action that may be needed.

But again I say, looking at today's oil prices, it is impossible to understand how any impartial observer can continue to vote to continue this subsidy. It is hard to even see how oil men themselves can defend it with straight faces. When riches swell to embarrassing proportions even the beneficiaries must relent and pay their taxes.

In fact, some of the more responsible oilmen now see that point. Top executives of Arco and Shell have stated that percentage depletion should be removed. Much of the odium now being heaped on the oil industry is traceable to its unfair tax advantages. They are largely responsible for the industry's extremely poor public image. Percentage depletion is an affront to commonsense and to the rights of other taxpayers, who must pay more on account of it; and I see little excuse, if any, for any further delay in eliminating the inequity. To put it bluntly, the time to abolish it is now.

Mr. President, the American people do want tax reform and tax equity, and if Congress cannot be moved to enact fair taxation on the oil industry at this time of extraordinary oil prices, increasing market concentration, and unprecedented profits, then people will conclude that Congress is incapable of enacting any reform in this area.

I have heard about the destruction of profits and what is going to happen, and I know we always get the argument in any of these battles that we have here that it all comes down to the little guy; but we have to ask ourselves: How little are some of the little guys?

Earlier today the Senator from Connecticut (Mr. RIBICOFF) mentioned by name some of the independent companies and some of the profits that they have. On June 13, in the CONGRESSIONAL RECORD, in the Extensions of Remarks, there was a table that I am going to ask to have printed at this point in my remarks, because it gives the net income for the first 3 months of 1973 and for the first 3 months of 1974 and the percentage change in net income for over 50 oil companies, many of them independents. For example, the Marathon Oil Co. is one of them. Others were mentioned here, the Superior Oil Co., for example, the Crown Central Petroleum, and others.

I ask unanimous consent that it be printed in the RECORD at this point in my remarks.

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

COMPARATIVE OIL COMPANY EARNINGS

[Dollar amounts in thousands]

| | 3 mo. 1974 net income | 3 mo. 1973 net income | Percent change, net income |
|---|---|---|---|
| Amerada Hess Corp | $49,851 | $36,706 | +35.8 |
| American Petrofina, Inc | 13,083 | 4,735 | +176.3 |
| Apco Oil Corp | 3,024 | 889 | +240.2 |
| Ashland Oil, Inc.[1] | 19,398 | 15,904 | +22.0 |
| Atlantic Richfield Co | 93,944 | 50,303 | +86.7 |
| Belco Petroleum Corp | 6,098 | 2,984 | +104.4 |
| Cities Service Co | 68,800 | 36,800 | +87.0 |
| Clark Oil & Refining Corp | 13,331 | 4,846 | +175.1 |
| Commonwealth Oil Refining Co | 15,635 | 2,806 | +457.2 |
| Continental Oil Co | 109,200 | 47,500 | +129.9 |
| Creole Petroleum Corp.[2] | 43,300 | 37,400 | +15.8 |
| Crown Central Petroleum Corp | 4,838 | 303 | +1,496.7 |
| Exxon Corp | 705,000 | 508,000 | +38.8 |
| General Crude Oil Co | 8,456 | 3,514 | +140.6 |
| Getty Oil Co | 73,644 | 33,092 | +122.5 |
| Gulf Oil Canada Ltd.[2] | 41,800 | 20,800 | +101.0 |
| Gulf Oil Corp | 290,000 | 165,000 | +75.8 |
| Imperial Oil Ltd.[2] | 92,700 | 46,000 | +101.5 |
| Kerr-McGee Corp | 23,619 | 11,876 | +98.9 |
| Kewanee Oil Co | 6,142 | 3,605 | +70.4 |
| Louisiana Land & Exploration | 27,963 | 15,606 | +79.2 |
| Marathon Oil Co | $30,620 | $14,426 | +112.3 |
| Mesa Petroleum Co | 1,147 | 4,634 | −75.2 |
| Mobil Oil Corp | 258,600 | 155,800 | +66.0 |
| Murphy Oil Corp | 27,373 | 7,665 | +257.1 |
| Occidental Petroleum Corp | 67,769 | 8,289 | +717.6 |
| Pennzoil Co | 41,347 | 19,624 | +110.7 |
| Phillips Petroleum Co | 80,900 | 43,400 | +86.4 |
| Quaker State Oil Refining | 5,330 | 3,604 | +47.9 |
| Royal Dutch Petroleum [3] | 436,500 | 166,560 | +162.1 |
| Shell Oil Co.[2] | 121,845 | 80,233 | +51.9 |
| Shell Transport & Trading [3] | 291,000 | 111,040 | +162.1 |
| Skelly Oil Co.[2] | 19,670 | 9,961 | +97.5 |
| Southlad Royalty Co | 3,039 | 1,312 | +135.7 |
| Standard Oil, California | 292,882 | 152,809 | +91.7 |
| Standard Oil, Indiana | 219,023 | 121,116 | +80.8 |
| Standard Oil, Ohio | 22,600 | 17,500 | +29.1 |
| Sun Oil Co | 90,825 | 49,146 | +84.8 |
| Superior Oil Co | 14,495 | 4,747 | +205.4 |
| Texaco, Inc | 589,412 | 264,016 | +123.2 |
| Union Oil of California | 72,960 | 38,251 | +90.7 |

[1] Fiscal period corresponding to calendar period.
[2] Consolidated in report of parent company.
[3] Based on 60 percent of Royal Dutch/Shell Group for Royal Dutch Petroleum, and 40 percent for Shell Transport & Trading.

Date of source: May 29,1974.

Mr. HUMPHREY. Mr. President, I yield at this point to my colleague from Minnesota (Mr. MONDALE). Following his comments, I shall ask unanimous consent to have printed in the RECORD a table showing the estimated extent to which the domestic oil industry's profits would be reduced by the repeal of the depletion allowance. When I put that statement in the RECORD, I think my colleagues will have something to chew on for a while, in terms of what this amendment is all about.

I yield to my senior colleague.

Mr. MONDALE. I thank the Senator. It seems to me that the issue that we have been groping with all along is not only the question of tax reform, which is before us today, but also the question we had earlier this year of the price oil is being produced for here in the United States. The crucial question is: When is enough enough?

We all agree that the domestic oil industry needs incentives to drill, to build refineries, to build pipelines, to expand production of energy for this Nation's needs. I know of no one who disagrees with that.

The question we ask the opponents of this amendment to face is not the unanalyzed, generalized arguments about incentives. We all agree on that. The question is, When is enough enough?

We know that this industry is characterized by monopolistic tendencies. The Federal Trade Commission, a few months ago, commenced an action against the major oil companies on the ground that they are both vertically and horizontally integrated, that they are able to pass along fantastic price increases to the American consumer, isolated from the normal competition which many other industries face.

Mr. BARTLETT. Mr. President, will the Senator yield?

Mr. MONDALE. I would like to finish this argument, if I might.

The other day, the Senator from Oklahoma testified before the Finance Committee and made the same arguments we have heard today, that if we will just let the oil industry alone, let their prices rise and not increase their taxes, everyone will benefit, production will flow, and everyone will be happy. I confronted him

with an article in the New York Times of a few weeks ago, which says this:

A Nixon administration program introduced last summer to spur greater production of domestic crude oil by allowing its price to rise has failed to provide more oil. It has, however, enabled the nation's big oil companies to raise the prices of their own crude oil sharply, and pass those higher prices along to consumers of gasoline and fuel oil. It has also provided soaring profits for oil companies.

It goes on to point out——

Mr. BARTLETT. Will the Senator yield?

Mr. MONDALE. No, I would like to complete this, and then I will be glad to yield.

It goes on to point out that production in this country has actually dropped by 2 percent.

The cost of old oil has increased by nearly $2 a barrel in the last year. The cost of so-called new oil and deregulated oil has soared from something like $3.50 to $10 a barrel, so the cost of less oil this year to the consumers will be nearly $20 million higher than it was last year.

The argument of the oil industry is that that will bring back production. In fact, production has dropped, and reserves have risen. One wonders, if higher prices automatically bring forth more production, where it is.

If we look around, we can find out where it is. The other day Mobil Oil Corp. announced it intended to buy Montgomery Ward, which I do not believe is in the oil industry, and another major corporation. Mobil announced it was giving its 37,000 white collar workers a $32 million bonus for good behavior. Exxon, Standard, Continental, Standard of Indiana, and Shell were doing the same. And, of course, a few months ago Gulf Oil wanted to buy that great oil-producing concern, known as Barnum & Bailey's Circus.

That is what is happening. Just like the OPEC producing countries, which are charging the same prices as our domestic oil corporations are on 40 percent of their production, the big multinationals have such fantastic wealth that they do not know where to put it; and now they are having to come out with the embarrassing information that there is not a direct relationship between every dollar the consumer pays in fantastic price increases for oil and what goes into domestic production.

What we are saying is, when is enough enough?

We can do it two ways. We can reduce prices. We tried to do that, and the administration vetoed it. Or we can make this a taxpaying industry, which they are not today. The fact remains that though they have the highest profits, they report the lowest tax burdens of any industry in the country. Gulf paid 1.1 percent in U.S. taxes in 1973, Mobil paid 2.2 percent, Texaco paid 1.6 percent, Exxon paid 5.4 percent.

The major multinational industries are a virtually untaxed industry, in the face of a price policy that has gouged the American consumers and resulted in actually reduced production, in the face of new record earnings, in the face the fact much of it is not going to increased investment, but into diversification, bonuses, and circuses.

We say, why do we not then try to pick up a little of it in terms of a small reduction in some of the loopholes and the preferences that they enjoy? That is all that we ask to do here. We think it is a modest thing.

Mr. BARTLETT. Mr. President, will the Senator yield?

Mr. MONDALE. The floor is controlled by my colleague.

Mr. HUMPHREY. I yield to the Senator from Oklahoma, who wishes, I gather, to ask my colleague a question.

Mr. BARTLETT. The senior Senator from Minnesota—senior Senator, I guess——

Mr. HUMPHREY. It is the senior Senator.

Mr. BARTLETT (continuing). Gave the figures that Gulf has paid 1.1 percent of their income in taxes. I think the correct statement would be that their worldwide net income—they are saying that 1.1 percent of that in Federal U.S. taxes——

Mr. MONDALE. That is a very good point.

Mr. BARTLETT. To continue—if he included the figures on Gulf, I would point out they pay 62 percent in foreign state taxes of their worldwide net income, and if we add the two figures together we find the total income worldwide—am I not correct—would figure out to 63.1 percent in U.S. Federal, State, and foreign taxes.

Mr. MONDALE. I am very glad the Senator brought that up because the so-called foreign taxes are not taxes at all. As Paul Douglas used to say, that is a "golden gimmick." They take the royalties and call them taxes. About 20 years ago, the Internal Revenue Service agreed to go along with that, so that the royalties paid to foreign countries are called taxes——

Mr. BARTLETT. Mr. President, will the Senator from Minnesota yield?

Mr. MONDALE. I want to finish this first, because this is very important. The Senator is getting his answer now and I do not think he likes it. But they are called taxes and then they are credited against U.S. taxes on those foreign earnings. The credits are so generous that what has happened is that the major multinational companies have been almost seduced into going overseas and putting their refining capacity overseas because it is tax free, putting their shipping overseas because that is tax free, putting their insurance coverage overseas because that is tax free, because they can use these royalties, and they count as taxes against United States taxes and the taxes that the consumer pays when he goes to the gas pumps are not paid by the oil companies but by the consumer. But the industry continues to count that. It is a wonder they do not count their contributions to the Boy Scouts.

Mr. BARTLETT. Mr. President, will the Senator from Minnesota yield?

Mr. HUMPHREY. My colleague is giving us such valuable information that I am indeed happy to yield time.

Mr. BARTLETT. I thank the Senator. I would like to tell the Senator from Minnesota that the figures I was using were tax figures he submitted for the RECORD. But I add them up and the royalties include, on Gulf, the worldwide net income, 1.1 percent in total taxes, but 63.1 percent in total taxes. I would like the Senator to point out to me any royalties that are in his figures and then I would like to go on to the others.

Exxon, he says; it is 5.4 percent. He does not say whether that is Federal tax as a percentage of U.S. income or Federal tax as a percentage of worldwide income. What it is, it is Federal taxes of the percentage on worldwide income. If we list all the taxes for Exxon, it would amount to 60.6 percent in taxes, not royalties, that they are paying as a percentage of their total net income worldwide. So what I am saying to the Senator from Minnesota is, I am using his figures and all the tables that he put in the RECORD, and I am adding them up. If he can show me that his own figures are wrong, I would like him to do so.

Mr. MONDALE. My figures are exactly accurate. Let me quote from Oil Week——

Mr. ALLEN. Mr. President, a point of order. I raise the point of order that the distinguished Senator from Minnesota is supposed to have the floor. If he has relinquished the floor, then I would like to be recognized.

Mr. HUMPHREY. I have not relinquished the floor. Any time we want to have a filibuster, I want the Senator from Alabama on my side.

Mr. ALLEN. Mr. President, I raise the point of order that the distinguished Senator from Minnesota may yield only for a question without losing his right to the floor.

Mr. MONDALE. Mr. President, will the Senator from Minnesota (Mr. HUMPHREY) yield to me?

Mr. HUMPHREY. I am glad to yield to my colleague for a senatorial question.

Mr. MONDALE. I should like to ask the Senator this question about taxes on multinational——

Mr. ALLEN. Mr. President, I would like to have a ruling on my point of order.

The PRESIDING OFFICER (Mr. HELMS). The Senator from Alabama is correct.

Mr. HUMPHREY. Mr. President, we understand the rules. The junior Senator yields to the senior Senator from Minnesota for a question and I do not care how long the question is.

The PRESIDING OFFICER. With that understanding, the Senator may proceed.

Mr. HUMPHREY. We know what Senatorial questions are. So go ahead.

Mr. MONDALE. I thank the Senator from Alabama for his parliamentary instruction to us. I am not going to filibuster, but if I were, there is no man in the Senate who knows more about it than the Senator from Alabama.

My question to my distinguished colleague from Minnesota is whether these figures appearing in Oil Week and the taxes imposed on the multinational oil companies are essentially correct, reflecting their 1973 taxes.

Exxon paid a Federal tax of 5.4 percent on their net——

Mr. BARTLETT. On their net what?

Mr. MONDALE. Gulf——

Mr. BARTLETT. Their net worldwide income, not the U.S. net——

Mr. MONDALE. Mr. President, I make the point of order——

Mr. BARTLETT. Mr. President, will the Senator from Minnesota yield?

Mr. MONDALE. Mr. President, I ask for order. I will be glad to yield at the proper time. I answered the Senator's question once and he did not like it, but I will be glad to give him the opportunity again.

Mr. BARTLETT. The Senator wants a correct answer.

Mr. MONDALE. The Senator from Oklahoma went through this the other morning before the Senate Finance Committee. If anyone reads that record, they will find that the Senator from Minnesota is correct, that the major multinational oil companies are the most profitable, the least taxed, the most preferred industry in the United States. What we are trying to do is to get them to pay a little more in taxes and permit them to join the rest of American business as taxpaying citizens. Gulf paid 1.1 percent. Mobil paid 2.2 percent, Texaco, 1.6 percent. Standard Oil of California——

Mr. BARTLETT. Mr. President, will the Senator from Minnesota yield—will the Senator from Minnesota yield——

Mr. MONDALE (continuing). 4.1 percent. Will the Senator from Minnesota advise me if that is correct?

Mr. HUMPHREY. I have before me the report of the U.S. Oil Week for June 10, 1974, and I gather that is the same document to which the senior Senator from Minnesota refers. The figures he has given to the Senate are printed here. They are Federal and foreign taxes on the major oil companies, figures from the Securities and Exchange Commission, 10K form reports.

Mr. BARTLETT. Mr. President, will the Senator from Minnesota yield?

Mr. HUMPHREY. The figures are based on net income before taxes. The Federal tax as a percentage of worldwide net income. Then there are the foreign—State income taxes and foreign—State as percentage of net.

Mr. BARTLETT. Will the Senator just tell me if I am correct or not? The Senator is leaving out some words.

Mr. HUMPHREY. I read them all.

Mr. BARTLETT. Mr. President, will the Senator from Minnesota yield?

Mr. MONDALE. I yield.

Mr. BARTLETT. Is not the 1.1 percent for Gulf the percentage that Federal income tax is to their total worldwide net income and not as the implication is, that it is to the U.S. income on Gulf; am I not correct?

Mr. HUMPHREY. I think the point the senior Senator from Minnesota was making was that the net income before taxes for Gulf—he did not give that figure—but the net income of Gulf was $2,164,000,000.

Mr. BARTLETT. Will the Senator just tell me if I am wrong?

Mr. HUMPHREY. But taxes paid to the U.S. Treasury were $23 million or 1.1 percent.

Mr. BARTLETT. I am asking the Senator if I am wrong, and if that is so, to advise me.

Mr. HUMPHREY. What the percentage of foreign and State tax is to worldwide income.

Mr. BARTLETT. Then we have the first column, one which is the percentage of net income and the percentage of Federal income tax on the net income worldwide. The second column is the percentage of what the foreign and State tax is to worldwide income. If you add them up, Gulf is paying 63.1 percent in taxes on their total worldwide income. If I am wrong, I wish the Senator would tell me.

Mr. HUMPHREY. Yes, the Senator is wrong. Taxes to foreign countries are not a Federal tax. The amount of money that comes into the U.S. Treasury, as we can see according to this report, which is not one prepared by the Senator from Minnesota, is 1.1 percent of net income before taxes on worldwide operations.

Mr. BARTLETT. You say income?

Mr. HUMPHREY. That is right. So what?

Mr. BARTLETT. Is it not true that the States are listed under column 2 and that they pay high taxes to the States in the form of a gross production tax?

Mr. HUMPHREY. Not as foreign state income taxes—foreign state. We are not going to cry any crocodile tears around here about that. If you want to give us Saudi Arabia that is different. But we do not get much from Saudi Arabia. We get high-priced oil. What the people of Minnesota are concerned about, what the people of the United States are concerned about, is how much these oil companies pay into the U.S. Treasury. They do not pay very much. That is what my colleague is talking about.

Mr. MONDALE. Mr. President, will the Senator yield for a question?

Mr. HUMPHREY. I yield.

Mr. MONDALE. The figures which the Senator cites are correct. I was wondering whether he would agree with an article that appeared a short time ago in the New York Times, entitled "Six Oil Giants Pay Low Income Tax."

The article reads, in part, as follows:

> The nation's six major multinational oil companies, which had total net profits of $6.7-billion in 1973, have reported that they paid worldwide taxes of $25.4-billion on their operations—but they paid only $642-million in domestic Federal income taxes. The companies gross revenues totaled nearly $50-billion for the year.

Would that be approximately correct?

Mr. HUMPHREY. I have a copy of that article in my hand. It was written by Ernest Holsendolph.

Mr. MONDALE. That is the same article. I think it would be well to put that article in the RECORD, because it shows that these corporations, among our largest, are paying into the Federal Treasury at tax rates of 1 percent, 2 percent, 3 percent, 4 percent, and then they are trying to explain this on the basis of what they say is especially high taxes overseas.

Mr. BARTLETT. Mr. President, will the Senator yield?

Mr. MONDALE. I should like to complete this point. I would appreciate it if the Senator would permit me to do so, and then I will yield.

What has happened is that former Senator Paul Douglas used to call "the golden gimmick," by which multinational oil companies are able to treat foreign royalties as taxes for tax purposes. They take all that as credit against U.S. taxes on foreign earnings. Since that makes them virtually tax free on foreign oil operations, they have put as much of their operations as they can into refining, shipping, insurance, and oil exploration overseas, and then they are tax free on these as well.

Recently, I learned that no other U.S. industry uses the foreign tax credit on the same massive scale as the oil industry. The U.S. oil companies take more than 45 percent of all foreign tax credits claimed by U.S. industry. For U.S. industry as a whole, foreign tax credits reduced U.S. tax bills by less than 15 percent in 1971, compared to more than 75 percent for the oil companies. In other words, it is this overseas tax credit gimmick, tied in to that privileged treatment of royalties, that makes their foreign taxes look extraordinarily high and permits them to convert foreign activity into a virtually tax-free operation.

Mr. HUMPHREY. Mr. President, let me continue, because other Senators wish to speak, and I should like to complete my remarks.

For the information of the Senate, I am asking that the amendment that I offered yesterday on behalf of myself and other Senators be divided, so that we can vote on separate sections.

I ask that the first vote be on section 3, which relates to repeal of the percentage depletion for oil and gas production. That runs through pages 1, 2, 3, and through line 3 on page 4. I understand that that is my privilege, as the author of the amendment.

Mr. BARTLETT. Mr. President, I reserve the right to object.

Mr. HUMPHREY. I believe I have that right.

The PRESIDING OFFICER. The request does not require unanimous consent. The request for a division has been stated, and the amendment will be so divided.

Mr. HUMPHREY. I thank the Chair.

I will return to the Senator from Oklahoma in a few moments, because I know he wishes to participate in this discussion.

OIL INDUSTRY PROFITABILITY

Earlier, in my discussion with the Senator from Oklahoma and others, I mentioned the question of oil profitability. I again want to say, in all fairness, that I recognize the difference between the independent and the large multinational corporation. I think that is a fair distinction that needs to be made in this debate.

The question that we have to place be-

fore the Senate is this: Will the amendment on which we will vote, on section 3, repeal of percentage depletion for oil and gas production, destroy profits? If it destroys or substantially diminishes profits, will this have any effect upon the depletion of our necessary energy resources?

I have made calculations on the basis of figures that were in the debate in the House of Representatives, plus information that has been provided to me by the staff of the Joint Economic Committee. If we take the estimated profits from domestic oil production and then apply the repeal of the depletion allowance, as it is proposed in the amendment before the Senate, we would have the following effect upon profits.

The aftertax profits in 1974, without oil depletion, would be $6.4 billion; in 1975, $6.8 billion; in 1976, estimated $7 billion; in 1977, estimated $7.3 billion; in 1978, $7.8 billion; in 1979, $8.8 billion. That is an average, over those 6 years, of $7.2 billion.

In 1973, the aftertaxes profit, including the oil depletion, was but $4 billion.

I repeat this, so that the record will be very clear: With the old depletion allowance included in the income and profit calculation for the domestic oil industry—I am talking now about American oil production—in 1973 the aftertax profit was $4 billion. In 1974, with the oil depletion allowance no longer operative, but with the increased prices, the aftertax profits are estimated to be $6.4 billion. It would run up the next year to $6.8 billion; in 1976, to $7 billion; in 1977, to $7.3 billion; in 1978, to $7.8 billion; in 1979, $8.8 billion. That is an average net profit, after taxes, even without percentage depletion, of $7.2 billion. That is approximately 80 percent increase in net profits, up approximately 80 percent over 1973.

My point, Mr. President, is that this kind of profit permits the exploration and development that we need, and if it does not, there is something wrong with the oil industry. It is a pampered industry. It has been on welfare too long.

I have heard arguments in this body about these poor souls around the country who are always getting welfare payments and that they will not work for pay. Well, the oil industry has been getting some welfare payments, and it is time that we took them off it. It is time they got out of the public trough. If they cannot have money available for exploration and development, with an aftertax net income of more than $6.4 billion, there is something basically, chronically, organically wrong with the oil industry.

Mr. President, at the suggestion of my senior colleague from Minnesota. I ask unanimous consent that the article published in the New York Times, to which he referred, be printed in the RECORD.

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

[From the New York Times, May 28, 1974]

SIX OIL GIANTS PAY LOW INCOME TAX

(By Ernest Holsendolph)

The nation's six major multinational oil companies, which had total net profits of $6.7-billion in 1973, have reported that they paid worldwide taxes of $25.4-billion on their operations—but they paid only $642-million in domestic Federal income taxes. The companies gross revenues totaled nearly $50-billion for the year.

Under present United States tax law, the oil companies may deduct taxes paid abroad from their domestic tax burden. This accounts mostly for the relatively small amount of Federal income tax paid by the companies. The oil-depletion allowance (which may be abolished in this session of Congress) and intangible drilling costs also reduce domestic taxes.

As a consequence of this tax structure, the Exxon Corporation last year had a profit of $2.44-billion on its worldwide operations, which reached a volume of $28.5-billion over the 12-month period. The company paid $333-million in domestic income tax, it reported.

OPERATION ABROAD

This showing of relatively low Federal income taxes was most pronounced among oil companies with extensive international operations, such as the six biggest: Exxon, Mobil, Texaco, Gulf, Standard Oil of California and Standard Oil (Indiana).

Texaco, third in size, had a profit of $1.3-billion on total revenues of $11.8-billion in 1973. But its United States income tax bill was just $30-million currently plus $46-million deferred for later payment.

The Gulf Oil Corporation, fourth largest, had a profit of $800-million last year on total revenues of $10-billion. Domestic sales alone reached $4.62-billion in 1973. But United States income tax was $23-million for the year.

Oil companies say that, although their Federal income tax looks small in relation to worldwide earnings or even to domestic operations, their total tax burden is comparable to those of other industries.

OVERALL BURDEN

While the Standard Oil Company of California paid only $41.5-million in Federal income tax, the company reported foreign income taxes of $393-million. And various other kinds of taxes brought the total tax burden to $1.9-billion. California Standard, the nation's fifth largest oil company, had a profit last year of $843.6-million on total revenues of $8.9-billion.

Although Exxon's domestic income tax was just $333-million last year, it said that its total income-tax bill was $3.56-billion and that all taxes came to $10.6-billion.

The Mobil Corporation reported worldwide taxes of $4.6-billion for 1973, although its Federal income tax was just $50.4-million.

And the Standard Oil Company (Indiana) said its total taxes were $1.4-billion while the Federal income tax was $165-million. Its sales and revenues totaled $6.5-billion last year.

Oil executives hesitate to compare tax burdens of various oil companies because different companies have different mixtures of operations, including domestic and overseas ventures in petroleum, natural gas, chemicals and other sectors. And overseas tax rates vary by country and by activity.

For instance, foreign taxes are highest on overseas oil production—the actual extraction process—and run to more than half the cost of a barrel of oil. While taxes on distribution tend to be moderate both in this country and abroad by comparison with production taxes, tax rates on refining vary from one nation to another.

For instance, taxation connected with refining is light in the Caribbean and quite heavy in West Germany, people in the oil industry say. Taxes on domestic production, eased by the depletion allowance and intangible drilling allowances to permit write-off of some expenses and dry holes, are relatively light.

A substantial area of oil taxes, as listed by the companies in accordance with acceptable accounting practices, involve certain state taxes and consumer excise taxes. While these taxes are carried as part of the total tax burden, they are mostly collected at the gasoline pump and from customers elsewhere.

Exxon's total declared tax payments of $10.6-billion include about $2.3 billion consisting of state and excise taxes. In the case of Mobil, $1.23-billion of its total taxes of $4.6-billion consisted of state taxes and United States and overseas excise taxes.

In an analysis of the tax burden on the domestic oil and gas industry for the five years ended with 1972, the Petroleum Industry Research Foundation reported earlier this year:

"As in previous years, the oil industry's Federal income tax payments per dollar of revenue were smaller than those [of other corporations], particularly when compared to mining and manufacturing industries.

"The reason for the difference lies primarily in percentage depletion and the expensing of intangible drilling and development costs. These provisions reduce the oil industry's effective Federal income tax rate and, hence, its tax burden per dollar of revenue relative to that of other industries."

The foundation's report said, however, that other tax payments (including state and local property taxes and state production taxes on crude oil and gas) more than offset the advantage on other taxes.

Recently the foundation, whose research is underwritten by the oil industry, issued a report attacking proposed legislation that would reduce the oil companies' ability to offset domestic taxes with foreign taxes.

Mr. HUMPHREY. On that point, we have continued to hear a good deal in the last few weeks from the defenders of the oil industry, to the effect that the profits in that industry are not really high, as everyone believes, but are only about average or perhaps a little below average—we are reading that sort of nonsense; that taxes paid by the industry are not negligible, as most people believe, but instead are very heavy; that the industry cannot carry out the investments necessary to deliver the necessary energy supplies if they are required to pay normal taxes like other businesses.

Well, I think it is time these allegations are confronted with a few facts. First of all, oil profits are underestimated and not overestimated.

OIL PROFITS ARE UNDERSTATED

First, defenders of oil make a great deal of the proposition that oil profits as a percent of invested capital are about equal to those in other industries. Federal Trade Commission figures, however, show that the return on equity of the oil industry has exceeded that for other manufacturing in 17 of the 23 years from 1951 through 1973.

In judging this comparison, moreover, one must recognize that oil profits are always understated in comparison to the profits of other industries. This is true because of the many ways in which would-be profits of the oil industry can be passed through tax loopholes and disguised in the form of depletion allowances, intangible drilling expenses, dry hole expenses and the like. The immediate write-off of drilling expenses is a deduction from profits that are unique to the oil industry, and the vast bulk of percentage depletion also is taken by that industry. Thus, the oil industry enjoys extraordinary opportunities, as a result of its collection of tax favors, to generate

tax-free cash flow that firms in other industries would have to report to profits.

1974 IS A NEW SITUATION

One also must recognize that profit data from 1972 or even from 1973 do not anticipate the situation that exists in the oil industry in 1974, since the revolution in oil prices in December of last year has changed the profits picture dramatically in favor of the companies.

In 1972, the 19 largest U.S. oil companies had before-tax earnings of $11.4 billion according to the newsletter, Oil Week. They paid only 6 percent in Federal income taxes. In 1973, profiting from the energy shortage, the companies raked in $18 billion before tax—a 57 percent increase—and still paid only 6.5 percent in U.S. income taxes. Their profits after all U.S. and foreign taxes were up from $5.6 billion to $9.2 billion.

In early 1974, it was estimated by Walter Heller and George Perry, two respected economists, that the cash flow of the oil companies would increase by $16 billion. The rate of return on capital in 1974, therefore, will be sharply higher again, but U.S. income taxes on this enormous income again will be minimal unless certain reforms are enacted. The independent oil producers have shared in this increase in profitability just as have the major oil companies.

INVESTMENT NEEDS

We hear continuous talk about the oil industry's need for funds to invest. The truth is that more funds in the hands of this industry cannot possibly increase real investments, which are rigidly limited by the physical availability of inputs. Higher oil profits will not drill one more well, because more drilling equipment cannot be bought at any price; they will not build one more pipeline or tanker, because there is no pipe or steel plate to be had before 1978 or 1979. In fact, the continuation of these oil tax loopholes promises to be quite inflationary, because oil companies are using these spare funds to buy up everything in sight at record prices—and they are not limiting themselves to buying assets in the oil industry either.

On June 12, Representative JAMES COLLINS of Texas referred to the shortage of oil equipment in a speech to the House of Representatives. He stated that—

> There are no Texas drilling rigs idle at this time. If more rigs were available there would be more drilling. There is also a shortage of drilling pipe as well as other oil well field equipment. This tends to limit further drilling until these supplies become more plentiful.

Representative BILL ARCHER of Texas, also had something to say in this regard. He quotes in the CONGRESSIONAL RECORD of June 13 from a letter he received from Hiram L. Walker, president of the Walker-Huthnance Offshore Oil Co. in Houston, Tex. Mr. Walker stated, "We ordered some tool joints from the Hughes Tool Co. and we were informed that we could expect delivery in 1979."

The thrust of the letter is that the equipment necessary for expanded production is in short supply.

Mr. BARTLETT. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield at this point.

Mr. BARTLETT. The distinguished Senator just a moment ago mentioned that the total taxes on the domestic petroleum industry were about 6 percent. He did not say that that was on gross income.

Mr. HUMPHREY. Will the Senator yield for a point of information?

Mr. BARTLETT. I yield.

Mr HUMPHREY. Mr. President, when I asked for a division of the amendment, I would want to vote on section 3 first.

Mr. ALLEN. I object.

Mr. HUMPHREY. There is no need for the Senator to object. It is not in order, because I have the privilege as the author of the amendment to divide.

Mr. ALLEN. The Senator has the right to divide but it has to come in order.

Mr. HUMPHREY. Section 3; I want the vote on that first.

The PRESIDING OFFICER. The Chair would inquire if the Senator wishes to divide it into two parts.

Mr. HUMPHREY. That is correct.

Mr. ALLEN. Reserving the right to object, the first part would be the first part appearing on the amendment?

Mr. HUMPHREY. That is correct. Section 3 of the amendment, title 3.

Mr. ALLEN. Very well.

Mr. HUMPHREY. The second part would be on the tax reduction features.

The PRESIDING OFFICER (Mr. HELMS). That is correct.

Mr. HUMPHREY. I thank the Senator from Oklahoma for his courtesy.

Mr. BARTLETT. Mr. President, I would like the distinguished Senator's attention because a moment ago he mentioned correctly that the oil industry pays 6 percent in taxes.

Mr. HUMPHREY. That is what I estimate the average to be, yes.

Mr. BARTLETT. He did not say but this is 6 percent of gross income revenue. I would like to read a report from the Petroleum Research Foundation. It shows that in 1972 the petroleum industry paid $3.8 billion in domestic taxes, exclusive of motor fuel and other excise taxes.

Mr. HUMPHREY. The excise taxes are paid by the consumer. It is bad for the oil industry even to insinuate that they paid those excise taxes any more than the cigarette company pays the excise tax when a person smokes a pack of cigarettes. He pays the tax himself, if he smokes.

Mr. BARTLETT. I think the Senator heard me say exclusive of these taxes. I said what they were. I said exclusive of motor fuel and other excise taxes. This is where I would like the Senator to listen:

> The total tax burden of the petroleum industry is about six percent of revenue in recent years.

This is what the Senator said a moment ago, but he did not say it was in comparison with less than 5 percent of all other business corporations.

Then I wish to read on. It says "including motor fuel and other taxes, would be 20 percent." I wish to point out that the 20 percent of total domestic taxes, and so forth, compares with about 6.5 percent of all corporations; but as far as all taxes are concerned, and this is the main point I make, the 6 percent paid by the oil industry of this gross revenue is greater than the 5 percent or less than 5 percent paid by all other businesses.

Mr. HUMPHREY. Yes. If I may, I gather there is honest disagreement, but my understanding is 6 percent before taxes. In other words, of taxable income. It is not on gross income. It is 6 percent.

Mr. BARTLETT. If the Senator would like to check this out, this is the report on 1972 income and it is 6 percent of the gross and this compares with all taxes.

Mr. HUMPHREY. Yes.

Mr. BARTLETT. I would like also to point out that on a 10-year basis or 20-year basis, up to the most recent year, that the oil industry in all domestic taxes paid more taxes on the average than all manufacturers on the average.

Mr. HUMPHREY. Well, the facts we have from the Federal Trade Commission in the Joint Economic Committee do not sustain that, but I would prefer not to get into a long argument about this. I do not want the RECORD to be false.

Mr. BARTLETT. The Federal Trade Commission has the figures I am talking about, as well.

Mr. HUMPHREY. They are the figures we had before the Joint Economic Committee, and the reports we have show that the tax I referred to was only on taxable income and not gross income. Second, the petroleum industry has neatly folded into what it calls its tax payments, its excise tax on diesel fuel, and everything else. It is wrong to do that, because that is paid by the consumer.

They may have to report the tax.

Mr. BARTLETT. If the Senator were listening, he would have heard that I excluded that.

Mr. HUMPHREY. I know, but when the Senator got around to that 20 percent a year later, that was included.

Mr. BARTLETT. That is right.

Mr. HUMPHREY. Again, I have the highest regard one could possibly have for the distinguished Senator from Oklahome and I know that if we disagree on figures it is simply because we have not gone to the same source, and I do not want this record to reveal any intentional misstatement of fact, and I shall privately visit with the Senator and we will make the record proper.

That goes, by the way, also to my good friend, the Senator from Arizona.

I know in Senate debate we can honestly disagree. On facts and figures, of course, we should have basic agreement and then we can make our arguments, our discussions, from those facts and figures.

I have one other point, and I will yield to the Senator from Iowa who has been very patient here.

EFFECT OF DEPLETION REPEAL ON CONSUMER PRICES

Earlier today, the distinguished Senator from Arizona and the distinguished Senator from Oklahoma talked very persuasively and sincerely about the effect of the depletion allowance repeal on consumer prices. I think that is a

legitimate concern and we ought to face up to it.

The administration and others, for example, have said that the elimination of percentage depletion would mean higher oil prices for consumers. This statement should be seen for exactly what it is—an outrageous threat to take deliberate retribution against the consuming public if Congress cuts into big oil's tax breaks.

I repeat what I said earlier, there is no need of any increased price to the consumer unless the oil companies just want to make more and more money without regard for present profitability or the cost of operation.

The only way in which a depletion repeal could affect oil prices is if the administration uses it as a pretext to raise the ceiling on price-controlled domestic oil. The price of already decontrolled domestic oil surely will not be affected by the repeal, because this price is determined by the highest level set by the OPEC cartel—now about $10.50 for oil sold directly by the OPEC governments. This price of decontrolled domestic oil would be no more affected by depletion repeal than the price of imports itself. Neither price has the slightest relationship to production costs or taxes in the United States. They are set by the raw monopoly power of OPEC.

The administration could increase the ceiling on price-controlled domestic oil. In December 1973, the Cost of Living Council granted crude oil producers a price increase of $1 per barrel without any pretense of cost justification. I will say in defense of Dr. Dunlop that he never pretended there was any cost justification.

We now know from Government files obtained by Senator JACKSON that the officials approving that increase were informed in advance by their professional staff that no such action was justifiable. They went ahead with it anyway as a Christmas present to the oil companies, paid for by consumers in higher product prices. The result of the increase, incidentally, has not been an increase in oil production, as was promised. On the contrary, production continues to decline.

Now the Federal Energy Administration, which has taken over the controls on oil, could raise the ceiling again. But it is abundantly clear that old oil prices already have advanced far ahead of the costs of production, the vast bulk of which were incurred in an earlier day. Only about a year ago the industry representatives told Congress that a price for crude of $4.10 would be adequate to assure 85-percent self-sufficiency. Any new increase in the price ceiling based on the repeal of percentage depletion would signify an administration decision to use its power to maintain the windfall profits now being enjoyed by the oil industry at the expense of consumers. If gasoline prices go up again, it would result from another flagrant act by the administration to favor big oil over the public.

In fact, the numbers being bandied about on the size of the threatened increase in the ceiling indicate that the FEA might use this occasion as a pretext to give the oil companies a lot more than just enough to cover their taxes. The maximum value of percentage depletion on old oil at the present price is about 55 cents per barrel. If percentage depletion is withdrawn, firms could take cost depletion — normal depreciation — that would amount to roughly half this much. Thus, the additional tax liability would be at most about 25 cents per barrel. If fully passed through to the gas pump, this translates into about 0.6 cents per gallon. Yet people are talking about boosting the ceiling on old oil by amounts in the range of $1.50 per barrel and gasoline by some 3.5 cents a gallon.

I think this makes clear what is being threatened here. The administration will bear a very heavy onus in the public's judgment if any move is made to carry it out.

What I am trying to say in simple terms is that, based on costs of production and the realization of profit, there is absolutely no economic or moral justification for a price increase to the consumer with the removal of the oil depletion allowance.

Mr. BARTLETT. Will the Senator yield?

Mr. HUMPHREY. Yes.

Mr. BARTLETT. I am very pleased that the distinguished Senator is concerned over the independent and over the oil business in general. I would like to read some excerpts from an article. I ask unanimous consent that the article be placed in the RECORD.

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

INDEPENDENTS REINVEST NEARLY ALL OF DEPLETION

Independent producers plow back virtually all of their percentage-depletion deductions, a survey by the Independent Petroleum Association of America discloses.

The survey was reported to Treasury Sec. William O. Simon in order to show the impact of legislation to repeal the provision, either effective Jan. 1, 1974, or by 1979, as different bills provide.

Repeal of percentage depletion, the survey showed, would reduce cash flow by 35%, but the impact would be more severe than this figure suggests, Simon was told.

123-member survey. IPAA obtained the data in a confidential survey of 123 members with gross income from oil and gas operations of $625,460,367. For this group, percentage depletion (in excess of cost depletion of $28,074,697) was $90,817,686, intangible drilling and development costs (excluding dry hole costs) of $126,061,626, dry hole costs of $76,939,394, canceled and surrendered leases of $41,221,977, and depreciation lease and well equipment $52,345,238.

Based on tax returns filed by the 123 operators, they drilled themselves into a taxable loss of $84,569,999. In other words, they drilled up all but about $6 million of the percentage-depletion deduction, C. John Miller, IPAA president, wrote Simon.

If the $90,817,686 percentage-depletion deduction were eliminated, cash flow of $127,889,689 would be reduced by federal income tax of $45,408,843, according to IPAA calculations. Cash flow would drop to $82,480,846. All of the remaining cash flow would be required for equipment on new wells.

If depletion were repealed, Simon was told, this group of independents would have no internally generated funds left (after equipping new wells) for acquiring leases, geological and geophysical expenses, equipment other than that for leases and wells, repayment of debt, or payment of dividends. Miller said substantial borrowing or reduction in drilling would be required merely to equip new wells.

"Hence," the IPAA president concluded, "the only logical alternative for most oil and gas operators would be to curtail drilling, pay tax on the funds available because of reduced drilling, and use the net funds for other capital expenditures in their oil and gas business or make alternative investments outside the oil and gas industry."

Previous cut hurt. Miller observed that the previous cut in the depletion rate, from 27.5% to 22%, effective with taxable years beginning after Oct. 9, 1969, "ties directly to an approximate 14% decrease" in drilling. Completions fell from 34,053 in 1969 to 29,467 in 1970.

"Certainly," he added, "an elimination of percentage depletion (or even a further reduction thereof) would cause a substantially more dramatic decrease in number of wells completed."

Miller declared that further cuts in depletion would be devastating to drilling rates, since independents customarily drill most of the wells in the U.S. In 1972 their share was 82.5%.

Mr. BARTLETT. The Senator said earlier that the repeal of the percentage depletion would not really affect too much the independents, but according to a 123-member survey of independents, it would reduce their cash flow by 35 percent.

Based on tax returns filed by these operators, they drilled themselves into a taxable loss of $84,569,999. In other words, they drilled all but $6 million of the percentage depletion allowance of $90,817,686.

Now, if the $90 million figure percentage depletion deduction were eliminated, cash flow of $127,889,689 would be reduced by Federal income tax of $45,408,843, according to their calculations. So the cash flow would drop to $82 million.

I would like to bring out that the previous depletion from 27.5 to 22 percent that we discussed earlier, effective with the taxable years beginning after October 9, 1969, ties directly into a 14-percent decrease in drilling completions which fell from 32,053 in 1969 to 29,467 in 1970.

So I want to bring out to the distinguished Senator that this could and I think will have the effect of increasing the ownership of the total industry by the major oil companies, decrease the competition, increase the import of high-cost oil, and I know the distinguished Senator knows that the crude oil in this country coming in that we use is much more costly than what we produce ourselves.

Mr. HUMPHREY. Correct. The Senator is right on the last point.

Mr. BARTLETT. Which is going to increase the business of finding our own oil and increase the amounts coming in, which is higher cost and will put us more than ever before in reliance on Arab countries, which do not seem to be interested in our energy supply.

Mr. HUMPHREY. I know the able Senator from Oklahoma is a very sincere advocate of his point of view, and I respect his words and his argument very much.

It is the view of the Senator from Min-

nesota that the best protection that the independent oil driller and the independent oil producer has is the price that he gets; that it is much better than depletion allowance. The depletion allowance hangs as an albatross around the neck of the oil industry, giving it a bad image, showing special tax favoritism, and it is my judgment that depletion allowance is out of date, that it is an outrageous subsidy, and that it should be repealed. That is the point, the premise on which I base my argument today.

Mr. BARTLETT. Will the Senator yield for just a second?

Mr. HUMPHREY. I will.

Mr. BARTLETT. I think the independent looks upon the depletion allowance as the reason that he is able to acquire outside capital to invest in drilling programs and wells that he originates.

It is because of the tax advantage that a person in a higher income invests in the high risk business of finding oil.

The independents, as the Senator knows, drill well over 80 percent of the wells drilled in this country. So it is the independents, the 10,000 smaller people who drill where one is not supposed to drill, who find oil nonetheless, that have made this country so strong from an energy point of view.

The discouragement that will take place by drying up their sources of capital, as well as reducing their profits, is bound to take effect on the number of wells drilled and will reduce the energy sufficiency level of this country. It will increase the time it is going to take to become energy sufficient and it is going to make us more reliant upon foreign crude, which has been up to this point unreliable and very high priced.

Mr. HUMPHREY. May I ask the Senator from Oklahoma if he has any intention of offering any kind of amendment which will relate to any favored tax treatment to the independent?

This is just a point of information.

Mr. BARTLETT. At this time, I would advise my distinguished friend from Minnesota that I have no plans for doing that at the moment.

Mr. HUMPHREY. I thank the Senator.

Mr. BARTLETT. I might have later on. I just have not reached any decision.

Mr. HUMPHREY. I want to thank the Senator from Oklahoma for his part in this argument.

Mr. LONG. Mr. President, will the Senator yield?

Mr. HUMPHREY. I am terribly sorry, but the Senator from Iowa has been asking me to yield to him. Does the Senator wish to ask a question?

Mr. ALLEN. Mr. President, a point of order.

The PRESIDING OFFICER. The Senator will state it.

Mr. ALLEN. Would the Chair define the right of the Senator to yield the floor to another Senator, and for that Senator to yield the floor to another Senator? Does the right of recognition belong to the Chair? Otherwise only one viewpoint will be presented.

Mr. HUMPHREY. May I say to the Senator from Alabama I have no intention of trying to regulate who speaks. I am going to yield the floor myself very shortly. But I understood the Senator from Iowa had a question, and I understand the Senator from Louisiana has a question.

If the Senator from Iowa will permit, I will yield to the Senator from Louisiana.

Mr. ALLEN. Mr. President, may we have a ruling.

The PRESIDING OFFICER. The Senator may yield only for a question. If he persists in yielding for more than a question, and a point of order is raised, then he will lose his right to the floor.

Mr. ALLEN. Mr. President, does he have a right to pass the floor on to other Senators?

The PRESIDING OFFICER. He does not.

Mr. ALLEN. In a line of succession?

The PRESIDING OFFICER. He does not.

Mr. ALLEN. Mr. President, at what point would that change be stopped then by the Chair?

The PRESIDING OFFICER. The point of order has to be raised from the floor.

Mr. ALLEN. Very well. I have no objection to the distinguished Senator from Iowa speaking, but I would not like this filibuster to continue without the opposing view being presented at some point.

Mr. HUMPHREY. May I say to the Senator whenever a filibuster starts we will let the Senator know. There is no filibuster. There is an argument here today that has been shared in by, I think, eight Senators, as a matter of fact, which is a pretty good debate for the day.

I agree with the Senator that no one should have the right to pass the right to the floor to other Senators.

Mr. ALLEN. I believe if the Senator will sit down we can get a vote on these other matters.

Mr. HUMPHREY. The Senator will be glad to do that, but there have been many questions.

Mr. LONG. Is the Senator aware of the fact that in 1972 the domestic oil industry was making substantially less profits than the average manufacturer in this country?

Mr. HUMPHREY. That is, Senator, what were the reported profits of the oil industry. I gather from what their reports are, that is what they say.

Mr. LONG. If the Senator looks at their return on equity, as the bankers do to see whether to lend money, that would be shown.

Is the Senator also aware of the fact that these big industry profits which occurred last year were not from the domestic industry but rather from the foreign industry? For example, it is a fact that the seven largest international petroleum companies reported in 1973 an increase of $135 million in domestic profits compared to an increase in foreign profits of $3,771 million. In other words, the increase in profits from foreign operations, as reported by those same companies, was about 30 times as much as the increase in profits here in the United States.

Mr. HUMPHREY. Senator, that may be the case, but they are American companies. Our point was how much they paid in taxes to the Federal Government, and they obviously have made very substantial profits.

I think the Senator has properly noted the difference between their profitability on American investment, on the one hand, and the profitability on foreign investment, on the other, and I think that is a legitimate point.

Mr. LONG. That raises the next question: I wonder whether the Senator knows that, although the increase in overseas profits was about 95 percent, nevertheless the increase in taxes proposed in the Senator's amendment will affect mostly the fellows in this country who did not make that big increase in profits?

Mr. HUMPHREY. Senator, all we are attempting to do here with this amendment is to take away what some oil companies themselves have said is an obsolete provision of the law, and one that they do not feel they need.

Obviously, most companies do not agree with that, but certain companies have said so. We are not changing the basic law with respect to the oil industry, with the exception that if you have an oil well and it is producing the value at the wellhead, to remove that 22-percent tax deduction at that particular time. That is a rather favorable tax treatment.

Mr. LONG. Is the Senator aware that the one oil company, Atlantic Richfield, that said they favored repeal of the depletion allowance, also said that they did so because they wanted the price of oil to go up?

Mr. HUMPHREY. The price of oil has already gone up.

Mr. LONG. Is the Senator aware that, so far as the domestic producers are concerned, the price of $5.25 per barrel of oil will have to be advanced if there is a tax increase? I just wonder if the Senator is aware of the impact on prices if the oil producers lose the depletion deduction.

Mr. HUMPHREY. I pointed out that $5.25 price is about $1.15 higher than the oil industry said it needed a year ago to become 85 percent self-sufficient in American oil. In fact, the oil companies came into Congress, before the Senate Committee on the Interior and testified just a year ago that if they got $4.10 a barrel, it would be a sufficient price to guarantee 85 percent of self-sufficiency in oil production in the United States by 1980.

Now they are getting $5.25 for oil under price controls. That is $1.15 more than they said they needed. They average out at about $7 and something with the old and new oil. The new oil that is not controlled runs at around $10 a barrel, and that is about, what is that, some 35 percent of the total domestic production.

So it appears to me that the only reasons why prices would go up are two: One, the Federal Energy Office might raise them, which it has the power to do up until February of this year, but I do not think it should do that even if it has the power to do it.

Second, the oil companies could just decide they wanted to make more money. They are not going broke, Senator.

Mr. LONG. The Senator is aware that the cost of everything went up last year,

and the average of all commodities is about 12 percent.

Mr. HUMPHREY. I am aware of that, but the oil equipment to produce the already flowing oil did not go up; the only cost that went up in that case is the cost of the small amount of labor involved and they did not get a large increase.

Mr. LONG. To stay in business, the producer is going to have to find ways to replace the oil that he is depleting. If he is selling oil for $5.25, then he is going to have to be able to find oil which costs less than that $5.25 price; otherwise he cannot stay in business. If he cannot find new oil at a cost below the price at which he is selling, he is on the way out of business.

Mr. HUMPHREY. But, Senator, the new oil in the United States is selling at the new rate of the OPES companies' price of $10.50.

Mr. LONG. That is, when one can find it.

Mr. HUMPHREY. That is right; when one can find it.

The whole point is the depletion allowance is no good until you find it, and if one finds it, under the old system he was getting around $3.50 to $4 a barrel, and getting the depletion allowance.

Now, if one finds it, he is getting $10.50 a barrel and he does not need the depletion allowance, any more than a farmer today getting a $4 price for wheat needs it.

He says, "Look, if you give me a price, we do not need it."

But one might just as well say, if we are going to continue the subsidies to the oil industry, that we ought to subsidize the cotton farmer, the corn and wheat farmer all on the old subsidy basis, anyone could rightfully demand a subsidy. But, no, we say, "No, Mr. Farmer, you are getting a good market price, and because you are getting a good market price, we are not giving you a subsidy."

Mr. BARTLETT. Mr. President, will the Senator yield?

Mr. HUMPHREY. Volleys from the left and from the right.

Mr. LONG. This is what I had in mind: Does it really make any sense, when we need to expand our domestic capacity to produce oil, to put a tax increase that amounts to $2 billion on the industry we expect to make heavy investments?

Instead of a $2 billion tax increase on the domestic industry, would it not make better sense to put the tax on foreign oil rather than domestic oil, due to the fact that that is where most of the profits are? That is where the bulk of it is, even according to the figures of the major companies, when they break down profits between domestic or foreign sources.

Mr. HUMPHREY. Mr. President, if the Senator wants to add to this amendment that we tax foreign oil more, I am for him.

Mr. LONG. The point is that 50 percent of the independent producers in this country went out of business during the last 20 years, 5,000 of them.

Mr. HUMPHREY. They went out while they were getting a subsidy. The problem is, they were not getting a price. But if the independent producers we are talking about drill a dry hole, their costs are all deductible, as we know; but if they find oil today, they get a high price of $10.50 per barrel, compared to $3.60 or $3.50 a barrel that they got only a year ago. So the depletion allowance argument, at $3.50 a barrel, may have had some justification, but at $10 a barrel I think it has lost its justification.

Mr. LONG. But that cheap foreign oil costs 25 cents a barrel to produce, and they bring it in for about a dollar a barrel transportation cost. Domestic producers could not compete with foreign oil that can be produced so much more cheaply, and their testimony is that even with the situation that we can anticipate at this moment, if we take away the depletion allowance, half of those that remain will be put out of business. In fact, some of these people testified that they had gone out to seek money to drill more wells, and when the prospective investors heard they would be denied the depletion allowance, all the money dried up.

Mr. HUMPHREY. The depletion allowance, insofar as this body is concerned, was a subject of debate and of legislative initiative about a month ago. There has not been much advance warning to the investment community that we were going to try to repeal the depletion allowance.

The House Ways and Means Committee, I understand, has a 3-year phaseout of the depletion allowance for most of the oil and gas industry, and 5 years completely across the board; and may I say that there are generally good, solid arguments for what is called phased reduction? If it were not for what I consider to be the unconscionable profit picture of the oil industry today, both domestic or international, I would be much more favorable to what we call the phaseout over a period of time, and it may very well be that this is something that will be offered here.

Mr. LONG. Here are the figures provided by the First National City Bank, and I would like to state that the seven largest international oil companies reported a percentage increase of 6.4 of their profits in the United States, while they reported a profit increase of 136 percent in their foreign earnings.

The reason we are in this big mess and not able to provide our needed energy is that this Nation permitted it to become so much more attractive for Americans to go overseas to produce oil rather than produce it here; and I would just ask if the Senator recognizes that to double or drastically increase the tax on our domestic industry without a similar increase in the foreign tax is just discriminating against the domestic producers all over again.

Does the Senator from Minnesota know how much his amendment would increase the tax on the increased profits in foreign oil?

Mr. HUMPHREY. About $40 million.

Mr. LONG. Forty million dollars; and how much would the amendment of the Senator from Minnesota increase the tax on domestic oil?

Mr. HUMPHREY. We do not have control over taxes on foreign oil. Other countries control them. I would like to be able to offer an amendment to change the tax laws in Saudi Arabia, but they do not permit it.

The only thing I am permitted to be is a Senator of the United States, not a Senator for Saudi Arabia; therefore, I thought most likely we ought to kind of confine ourselves to the tax laws of our own country.

We can modify the laws that relate to American corporations dealing overseas as to how much they have to return to this country for taxable purposes. That we are permitted to do, and if the Senator, who is the chairman of the Finance Committee, wants to offer such an amendment, I most likely would be eager to support it.

I call the Senator's attention to the profit figures that we placed in the RECORD earlier today. The Senator from Connecticut (Mr. RIBICOFF) introduced them originally. These figures are all on American companies, and many of them have no overseas activities at all.

For example, for the Marathon Oil Co., its 3 months in 1974 net income as compared to its 3 months in 1973 net income—and Marathon is a fine company; it is a great company—the percentage increase in net income was 112 percent.

Mr. LONG. Mr. President, does that really tell us anything unless we know what their income was and what their return on equity was in that previous year?

Mr. HUMPHREY. Mr. President, for the industry over the last 23 years, in 17 of those 23 years the relationship of profits to equity in the oil industry was better than that of, I think, all other manufacturing companies. For every year, I cannot say so, but for 17 out of the 23, that is not bad.

Mr. LONG. Mr. President, just to give an example, though, to show how little that means, the 10 largest companies in 1967 had a rate of return on equity of 12 percent in the United States; for 1973, the high-profit year the Senator is talking about, they had a return on equity of 10.6 percent, and that does not allow for the effect of inflation in reducing the purchasing value of the dollar.

Notice this: Comparing the same period in 1967, the return on foreign was 9.6 percent; 1973, 16.4 percent.

Mr. HUMPHREY. If you take 1974 on both domestic and foreign, Mr. President, we really get up in the stratosphere.

Mr. LONG. What I am saying is that if we want to tax windfall profits where the big profits have been, we would be taxing foreign oil.

For example, if we changed the foreign tax credit to be a deduction rather than a credit, and then gave the companies a break, an offsetting break, hopefully, by reducing their rate from 48 percent down to 24 percent, that would bring in about $2 billion in additional revenue.

Of that $2 billion, about $1.25 billion, or about 60 percent of it, would be on American oil companies doing business abroad, and if we did it that way we would then be taxing where the profits

are; but what the Senator is proposing is to discriminate further against the domestic producer.

We hear great speeches about the enormous profits; and then we find that the profit someone is talking about is the profit made in Saudi Arabian oil, Near Eastern oil, Venezuelan oil, and Nigerian oil.

Then when we get around to reading the tax proposal, what is it? It is something to clobber the domestic independents, to set back the industry which is already too retarded.

We should be trying to increase the production in this country so that we do not have to pay $10 for oil. It is estimated that the long-term cost of that oil ought to be about $7 a barrel, provided we could hold the cost of living steady, and I would think that that is what we ought to be trying to achieve.

I personally have said—and I mean this—I will vote to repeal the depletion allowance on foreign oil. They do not need that. The Senator from Minnesota and I know that most of those companies have so many tax credits that if we repealed the foreign depletion the companies would not be able to use up their accumulated credits for years.

Mr. HUMPHREY. Correct. The Senator is right.

Mr. LONG. We could bring in a lot of money with regard to the taxes on the foreign oil, but when we make it more attractive to produce the oil there than here, we really cannot blame the industry for going abroad, because people tend to go where the profit potential is the greatest.

What I object to is to propose these tax increases on persons that I do not think the Senator wants to tax. For example, it is credible when the independents tell us that half of them went out of business during the past 20 years——

Mr. HUMPHREY. With the oil depletion on the books?

Mr. LONG. Yes, but in spite of that they tell us that if we repealed the depletion allowance——

Mr. HUMPHREY. At $10.50 for oil? That is all new oil we are talking about now.

Mr. LONG. That is what they tell us, and I believe it to be correct. That $10 price per barrel will not last. Over a period of time, the price of oil will settle at one price, not two as we have now. It will be whatever price the market in this country will permit or support. We are not going to maintain two prices over a long period of time. Prices will have to come into line, $7, $8, whatever it happens to be.

Mr. HUMPHREY. Is that not greatly dependent upon what the OPEC countries decide on?

Mr. LONG. Not necessarily. In any event, what is keeping the independents in business is that depletion allowance and the deduction for intangible drilling costs. It makes it attractive for someone to take a chance and invest some money, to help them drill a well; if they would not have the depletion allowance, the majors have all sorts of advantages over the independents. But that is one advantage of the independents over the majors. Look at the 70 percent personal income tax and compare it with the 48 percent rate on corporations; that depletion allowance attracts money to take a chance on drilling wildcat wells by the independents. That is the only competitive advantage they have. They cannot go out and drill offshore wells.

Mr. HUMPHREY. That is what I pointed out earlier today. I grant that.

Mr. LONG. They do not have the money to pay $200 million or even $20 million for leasing.

Mr. HUMPHREY. Could we not change our Federal leasing property laws a little?

Mr. LONG. I favor that, but it is enormously expensive. The independents cannot go overseas. I have talked to some who did, and when we find out the problems that they have in doing business overseas—the touchy local considerations, including assassination—we will find it is a little bit more than the hometown boy can hope to contend with when he tries to do business in those foreign lands. So for the domestic independents, if they lose the depletion allowance and the intangible drilling costs write-off, I believe that very few will be able to stay in business. If half of them cannot compete against foreign oil, which has a great cost advantage over them, I do not for the life of me, see, how we can take away the one thing that is keeping them in business.

I say to the Senator that I hope he really does not mean to put a death sentence on the independents because I believe they are good for the country.

Mr. HUMPHREY. I do, too. I believe that if what we were sponsoring was a death sentence, I would have no part of it. It has been my judgment—I may be in error—but I have high regard for the Senator from Louisiana on this subject, as well as on others, and he has been very fair through the years, I should say, in all matters concerning the oil industry and tax schedules. I have felt that with the new price of oil and the large number of independents who are in the area of exploration and development, when they hit a new well, knowing that exploration and development costs are deductible, they do not need the depletion allowance to be able to survive or to make a good profit because the present price and the foreseeable price of oil, particularly new oil, will be sufficiently high. There is no way I see where it will be substantially lower, so the profitability will be there. This is an honest difference of point of view. The Senator from Louisiana makes a powerful argument today, and I am pleased that he is here to join in this debate.

Mr. President, I do not want to keep other Senators from participating in this debate and I am going——

Mr. EAGLETON. Mr. President, will the Senator from Minnesota yield briefly for a question?

Mr. HUMPHREY. I yield for just one question.

Mr. EAGLETON. I should like first to preface my question by saying that I am in support of what the Senator is desiring to accomplish by his amendment. I should like to inquire of the Senator from Minnesota if he has thought of the price passthrough consequences of the amendment, since Secretary of the Treasury Simon in his testimony before the Finance Committee on June 5, 1974, said:

> Removal of percentage depletion will result in higher prices to consumers.

Then later, Frank Ikard, the president of the American Petroleum Institute, said before the Finance Committee on June 11, 1974, in response to a question by the Senator from Louisiana, as follows:

> LONG. A major tax increase on the industry—and that is all the repeal of the depletion allowance would be . . .—will have to be passed on to the public. Now, am I right or wrong about that?
>
> IKARD. I think you are unquestionably right. . . . It translates into something on the order of between 3½ and 4 cents a gallon of oil. . . . We can look for a marked increase in price for the consumer.

I should like to ask the Senator from Minnesota what his reaction is to that potential; that is, if the old depletion allowance is summarily repealed, what kind of consumer price increase might we expect, at the pump?

Mr. HUMPHREY. I went into that a little while ago. I gave my point of view about it and what I believe is in the hearings that have been held thus far and the studies made in the Joint Economic Committee. I pointed out that in December 1973, the Cost of Living Council granted crude oil producers a price increase of $1 per barrel without any pretense of cost justification.

In fact, the Senator from Washington (Mr. JACKSON) revealed in this body that the officials approving that increase were informed in advance by their professional staff that no such action was justifiable. Only a year ago, industry representatives told Congress that the price for crude of $4.10 was more than adequate to make self-sufficiency. I realize that Secretary of the Treasury Simon and others from the oil industry have been saying that we would have to have a substantial increase in the price of oil and gasoline to the consumer if the depletion allowance were taken out.

If the depletion allowance were taken out, the maximum value of the percentage depletion on old oil at present prices is 55 cents a barrel. If the percentage depletion is withdrawn—that is, on old oil—firms could take the cost depletion. That is normal depletion, which is roughly half of that, and thus the additional tax liability would be 25 cents a barrel at most. If fully passed through to the gas pump, this would translate into about 0.6 cents per gallon—half a cent a gallon—not three and a half cents, but one half a cent a gallon. Yet people are talking about boosting the ceiling on old oil by amounts in the range of $1.50 per barrel and gasoline by some 3.5 cents a gallon. I do not think it is justified. I do not think the economics justify it.

Mr. LONG. Mr. President, if the Senator will yield right there, briefly, some of the figures the Senator is quoting, if the companies are going to make the money back against the 48 percent tax rate, they have got to double the figures used by the Senator.

Mr. HUMPHREY. No.

Mr. LONG. If they are going to make the tax back, if they have to pay $1 of additional tax and they have got to make that dollar back against the 48 percent tax, then they have got to make $2.

Mr. HUMPHREY. I understand the economics. I understand them very well. I also understand that the calculation of the cost increase, if there needs to be any, and I do not think there needs to be any, because the profits are big and the price of new oil is what we are talking about here, because the depletion allowance is essentially affecting most new oil, so I do not think there is any need for any price increase at all, but if there were, it would be less than 1 cent—less than a penny. That is my judgment.

Mr. EAGLETON. Considering the possibility that if the depletion allowance is once repealed an exorbitant price increase at the pump might be passed on to the consumer, would not the Senator consider, perhaps, a perfecting amendment to his amendment, which would give authority to the Federal Energy Administration, which has the remaining jurisdiction over price controls insofar as petroleum is concerned, to guard against the gouging of the consumer at the pump?

Mr. HUMPHREY. Yes, I would. But, in all fairness, I would have to say that we would want to look at that amendment very carefully, to see that we would not penalize the industry itself, but at the same time not permit the gouging of the consumer.

For example, I believe that six-tenths of a cent would be the difference as a result of the repeal of the tax, or a cent—whatever the facts are. That would be a legitimate passthrough. I think that would do—but surely not the gouging, the building on, that the Senator spoke about.

Mr. EAGLETON. I even quarrel with the Senator from Minnesota about the legitimacy of a passthrough of six-tenths of a cent or a full cent.

There have been enormous windfalls or exorbitant profits in the oil industry. Congress has attempted various remedies to get at these. At one time, it considered an excess profits tax. At another time, it considered a price rollback, which was vetoed. Before us at this time is the repeal of the depletion allowance.

So I, for one, would not consider it propitious to add on even six-tenths of a cent or a penny.

Mr. HUMPHREY. I do not think it is needed.

Mr. EAGLETON. And have that come out of the hide of the consumer.

Mr. HUMPHREY. I do not think the economics of the industry requires it at all.

If the Senator has a proposal—and I understand he has—to make sure that there is no gouging and no major add-on of prices, because that would vitiate anything that the changes in this tax structure would bring about, I would like very much to talk about it with him and the other cosponsors of the bill. A member of my staff has presented the Senator's amendment to me. From what I have read hastily, it appears to be meritorious.

Mr. EAGLETON. I refer the Senator from Minnesota to amendment No. 1505. Without trying to crowd him on it at this time, and so that he may have a chance to discuss it with the cosponsors of his amendment, I ask him whether he might consider it at a later date as a perfecting amendment to his amendment, because I think the two go hand in glove.

Those who support repeal of the oil depletion allowance would be sad, indeed, if it were to become law, and then find a 2-, a 3-, or a 4-cent price increase triggered at the pump. We would be taking one step forward by repealing the oil depletion allowance, and sliding back several steps so far as the consumer is concerned.

Mr. HUMPHREY. In light of the testimony by Mr. Simon and others before the committee, I think an amendment along the lines the Senator is indicating would be a necessary modification of the proposal now before the Senate, as a protection to the consumer.

Mr. BARTLETT. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield the floor.

Mr. RIBICOFF. Mr. President, I am pleased that the Senate now has the chance to consider individual tax reform and tax relief proposals on their own merits.

I am speaking of amendment 1522, which is the pending business. This amendment, offered by the distinguished Senator from Minnesota (Mr. HUMPHREY), has my full support. I am a cosponsor along with a number of other Senators, including Senator MAGNUSON, who earlier joined with me in introducing a separate amendment to repeal the oil depletion allowance. The Humphrey amendment, No. 1522, contains our oil depletion proposal which I shall refer to later.

The amendment we are now considering proposes tax relief as well as tax reform.

First, it allows a taxpayer to take a personal exemption of $800 instead of the present $750. In the alternative a taxpayer could elect a $175 tax credit.

It is time to relieve some of the tax burdens which the working men and women of this country bear.

The purpose of this proposal is twofold. First, it will help to offset the increase in the cost of living caused by inflation. Second, it will provide a $5 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.

The second part of the amendment provides a 10-percent work bonus for low-income working families. This amendment, which Senator RUSSELL LONG and I first developed during consideration of the welfare reform proposals, recognizes that low-income working men and women are heavily burdened by social security taxes. Today, in fact, the majority of Americans pay more in social security taxes than they do in income taxes. The theory behind the 10-percent work bonus is to provide a rebate on the approximate amount which is paid into social security by an employee and his employer. The rebate begins to phase out slowly at $4,000 to prevent any notch problems. No person with incomes over $5,600 would receive any rebate. This provision will greatly ease the tax burden on those who can least afford the burden.

Finally, the oil depletion allowance would be eliminated as of January 1, 1974. There are many reasons for eliminating this multibillion dollar tax subsidy:

REPEAL THE OIL DEPLETION ALLOWANCE

It is time to eliminate the percentage depletion allowance tax loophole for gas and oil.

Every other business can deduct from its gross sales only the actual cost of replacing the goods it sells. Oil companies, however, can deduct 22 percent of their gross revenues from their taxable income, whether or not this deduction bears any relation to the actual cost of replacing the oil sold.

As a result, American taxpayers have been paying the oil companies and landowners billions of dollars a year through tax subsidies for the oil industry. The industry saved about $705 million in U.S. taxes in calendar year 1971 because of the oil depletion allowance. It has been estimated that because of rising prices, this provision will cost the U.S. taxpayer $2.6 billion in fiscal year 1975.

I can think of no better way to raise the money to pay for a tax cut for working men and women than to remove this special oil interest tax advantage and require the oil companies to pay their fair share of taxes.

The major oil companies' profits are skyrocketing and each of us is paying the price of these profits at the filling station and at tax time.

Look at the record. In the first 3 months of 1974, Exxon's profits were $708 million—39 percent above the same period in 1973.

Texaco's profits rose 123 percent to $589 million. Gulf Oil and Standard Oil of Indiana's profits were up 75 percent. Skelly Oil's profits were up 97 percent.

And Occidental's profits were up 817 percent.

It is unconscionable to allow these companies to reap such dividends at the expense of every working American. While the workingman in the lowest income tax bracket pays 14 percent of his income in taxes, four of the largest oil companies paid U.S. income taxes at an average rate of 2.89 percent. Aramco, the Middle-Eastern consortium of giant oil companies paid U.S. taxes at a rate of one-tenth of 1 percent.

Texaco paid 1.7 percent and Mobil 1.3 percent on incomes of $1.3 billion. These tax breaks helped the industry's profits climb 52 percent over last year to their highest levels ever.

Clearly, the percentage depletion allowance is costing billions of dollars.

Is it serving any useful purpose? I strongly believe percentage depletion serves no useful purpose.

Depletion allowances were originally enacted to enable oil companies to subtract from their income a suitable amount to cover the loss which occurs as an oil well wears out or exhausts its supply. The original depletion allowance was called cost depletion. The law was based on the cost of what the oil company actually lost. It was similar to depreciation provisions which most businesses utilize. In the 1920's, however, the law was changed, with the support of the oil companies, to allow the companies to subtract a set percentage of their income in computing taxes—originally 27½ percent and now 22 percent.

Today, the allowance has little to do with actual costs of depletion, is costly, wasteful, misdirected, and discourages the diversification of our energy resources.

1. THE OIL DEPLETION ALLOWANCE IS COSTLY

In calendar year 1971 the allowance cost taxpayers over $700 million. With rising oil prices it is estimated that it will cost the taxpayers nearly $3 billion in 1975. This is because the allowance is based on income. Thus, as prices and profits skyrocket, so does the depletion allowance. Instead of paying more taxes on more income, the oil companies pay less.

2. THE DEPLETION ALLOWANCE IS A WASTE OF MONEY

Most of the benefit of depletion goes to foreign operations and to people who cannot and do not produce oil. A landowner who receives royalties from an oil company gets the benefits of percentage depletion. But this landowner has nothing to do with exploring or drilling for new oil. In 1968 a major Treasury Department study—the CONSAD study—concluded that 42 percent of the depletion allowance goes to such nonoperating interests in domestic production or to foreign oil producers.

3. PERCENTAGE DEPLETION DOES NOT ENCOURAGE EXPLORATION

That portion of the depletion allowance which goes to domestic oil producers does not encourage exploration.

Since only 10 percent of the exploratory wells strike oil, depletion benefits only a small portion of the high-risk drilling. Oil companies prefer to spend money drilling in existing oil fields to be certain of receiving the oil depletion subsidy. The main effect of the allowance is to encourage overdrilling in known oil fields. A producer can use the allowance to wipe out a maximum of 50 percent of net income on a well before tax computation. This means that the biggest benefit of the subsidy goes to the most profitable wells.

The allowance may actually operate to discourage producers from operating less profitable or marginal wells. The stripper well operator—producing less than 10 barrels a day—gets the short end.

He is forced to pump the wells he has while the big companies can close down their marginal wells and skim the cream of their profitable wells. With generous tax laws such as the depletion allowance, the big companies have more money to buy up and gain control of most of the stripper well operations.

4. DEPLETION ALLOWANCE DISCOURAGES DIVERSIFICATION OF U.S. ENERGY RESOURCES

The United States is too dependent on oil. Yet this misdirected tax subsidy discourages the production of cheaper and more abundant sources of energy. First of all, depletion benefits for minerals are based on the value of those minerals in the ground and not in their final processed form. Therefore, a $7 barrel of crude oil gets the full benefits of the depletion allowance while a $7 barrel of oil made from coal will only receive depletion benefits on the value of the original coal. Since coal costs less than oil, the bulk of the $7 cost of liquefied coal lies in processing expenses these do not qualify for depletion.

At present, then, a company producing a $7 barrel of crude oil gets a tax bonus of about $1.30. A company producing the same $7 barrel of oil from coal liquefication would rescue a bonus from the taxpayers of only 10 cents. Those who develop solar energy or a more efficient gas engine would recieve no bonus at all.

In sum, the depletion allowance discourages the development of alternative energy resources, provides benefits to producers of foreign oil, pays dividends to foreign and domestic landowners to just sit back and collect royalties. And it gives most of its benefits to the large integrated oil companies and not independents.

I am pleased to note that the Ways and Means has decided to recommend repeal of the percentage depletion allowance. However, the slow phaseout of the allowance contemplated by that committee would have no effect in 1974. Our proposal would return significant revenues to the public treasury rather than turning them over to an industry whose profits rose 55 percent in 1973 while the consumer paid the price.

I urge my Senators to join with me in removing the percentage depletion tax loophole.

ARGUMENTS SUPPORTING THE ELIMINATION OF PERCENTAGE DEPLETION

First. Percentage depletion is an inefficient and ineffective way to stimulate exploration for, and the development and production of, additional oil and gas supplies. Under existing law, more than half the benefit of the percentage depletion deduction is obtained, directly or indirectly, by landowners, not oil producers. Since depletion is a percentage of gross income derived by the "owner" of an economic interest in the oil in place, a royalty owner is entitled to take a percentage depletion deduction on his royalty income. Moreover, the landowner, or owner of a right to exploit oil and gas reserves under the land—the "working interest," obtains benefits from depletion through higher prices for leases on his oil lands because the existence of percentage depletion causes producers to bid up royalties and lease acquisition costs. To the extent that the benefit of the depletion deduction is, in fact, obtained by landowners, instead of producers, the tax subsidy provided by the deduction does not attract capital to the oil industry and, in effect, is wasted.

Moreover, the amount of the depletion deduction is unrelated to the cost of production. Thus, the benefit is as great for the producer of low cost oil, which will be produced anyway, as for high cost oil. Indeed, because of the net income limitation, depletion is proportionately less valuable to the high cost producer. Benefits which are proportional to the cost of exploration or development—that is, the expensing of intangible drilling costs—are more effective in stimulating the actual expenditures necessary for additional exploration and development because they give more benefit to the high cost, marginal wells that would not operate without the subsidy.

Since the depletion deduction is computed on income from the production of oil, it is less effective for exploratory drilling—so-called wildcat drilling—than for the development of known oil reserves. Exploratory wells are much less likely to be successful than are development wells—that is, they are less likely to produce a depletion deduction. Since drilling equipment is in scarce supply, this strains the resources available for additional exploration and may actually retard the discovery of new oil and gas reserves.

Second. Recent substantial increases in the price of oil have caused a massive transfer of funds from consumers to oil producers. Profits from oil extraction in the United States will rise from about $4 billion after taxes in 1973 to an estimated $9 billion in 1974 under present tax law. When price controls are eliminated, there will be a further rise to $12 billion. The effect of this transfer of income could be mitigated either by a rollback in the price of crude oil or by reducing the tax incentives provided to oil producers. If prices are allowed to reach world price levels, the tax incentive, which is in effect a subsidy provided by taxpayers to the oil industry, may be removed with very little adverse impact on the industry, and thus help to correct massive shift in financial resources. The revenue gain from eliminating depletion—$2.1 billion—is less than the increase in oil profits.

Third. The percentage depletion deduction distorts the allocation of capital investment in a free-market economy. Capital is allocated in a free-market economy most efficiently in relation to the price of the commodity. Thus, when the price of the commodity is high, as is now the case for oil, capital will be drawn from other sectors of the economy for additional investment to increase the supply. In these terms, the overwhelming effect of the threefold increase in prices during the past 12 months—from $3.50 per barrel in early 1973 to $10 for new oil today—is most clearly shown by current shortages in skilled manpower and equipment needed for additional ex-

ploration, development and production of oil and gas. An additional subsidy is not only unnecessary in relation to the vast increase in funds already available to oil companies, but also harmful.

The harm arises because investors are attracted to the industry for the purpose of obtaining tax deductions. The operators of ventures in which tax-motivated investors are involved are less concerned with finding new reserves and more effectively exploiting existing reserves than with producing the tax benefits which have attracted the investment in the first place.

Fourth. The tax subsidy provided by percentage depletion is perverse in that it increases as the price of oil increases. The recent oil price increase has resulted in much higher profits for oil producers, even without the depletion deduction, yet because prices have risen, a greater tax subsidy is also provided. It is perverse to increase the tax subsidy at the precise moment it is needed less.

Fifth. The percentage depletion deduction discriminates against alternative and potentially more plentiful forms of energy. The percentage depletion deduction is available only for the extraction of oil and gas. If oil is produced through an alternative process, such as extraction of oil from shale or the liquefaction of coal, the percentage depletion deduction available is much less. This encourages continuing exploitation of a scarce depletable resource as opposed to developing the alternative resource which will obviously be needed in the future, and furthermore, works to maintain our dependence upon oil and gas at a time when that dependence must be lessened due to decreases in the world's supply of oil and gas and increases in its consumption of energy. These incentive effects are very unhealthy for future stabilization of energy supply and demand, since increased oil consumption now means lower consumption in the future.

Sixth. The depletion allowance provides an inequitable tax reduction for a single industry. The depletion allowance in effect, exempts a portion of the income of oil producers from tax. It bears no relationship whatever to the actual cost of development. The subsidy is a relatively small portion of the recent price increase received by all producers. In the interest of equalizing the tax burdens on all taxpayers, it is clear that this enormously expensive transfer of tax funds to the already wealthy oil producers is totally unjustified, and that the depletion deduction may be eliminated without adverse impact on oil supplies.

Seventh. The percentage depletion deduction provides an incentive to keep the price of oil high at the expense of refining. Since the percentage depletion deduction is proportional to the price of oil, oil producers have a direct incentive to keep prices for crude oil, and therefore tax benefits, high if they can. This serves as an artificial stimulus to reduce the profit margins of independent refiners, thereby making it more difficult for them to compete with integrated firms, which do not care about what stage of production distribution petroleum products produces their profit.

Mr. MONDALE. Mr. President, the issue before the Senate is now clearly posed: Shall the major multinational oil companies—who have profited extravagantly from this past year's inflation—be taxed like other businesses in order to fund a modest tax cut for the average working Americans who are being tortured by inflation and higher taxes?

There have clearly been winners and losers in this past year's double-digit inflation.

The biggest winners have been the large multinational oil companies. The price of oil has virtually doubled in the past year, and oil company profits have risen by more than 80 percent. Yet these companies continue to be taxed at scandalously low rates. A just completed study by U.S. Oil Week shows that the 19 major oil companies paid only 6.47 percent of their income in U.S. taxes last year—a lower percentage than a worker making $8,000 a year pays.

Many of the largest companies paid the smallest taxes. Gulf paid 1.1 percent, Mobil 2.2 percent, Texaco 1.6 percent, and Exxon 5.4 percent.

The average working American, however, has seen his income during this past year deeply eroded by inflation and higher taxes. He has had to pay more for food, gasoline, home heating oil, clothes for his family, medical care, and housing. He has had to pay higher social security payroll taxes. And even if his income kept up with inflation, his Federal income taxes went up faster as he moved into higher tax brackets. Not only are his dollars worth less; they are taxed more. As a result of all this, the average worker's real earnings—after inflation and taxes—are now 4.6 percent below what they were a year ago, and are actually lower now than they were in 1965—9 years ago.

A just released Labor Department study shows that low—$8,200—and middle—$12,200—income families have been hurt more by inflation and higher taxes than those with higher incomes—$18,200. The main reason was higher prices for food—which takes up a larger portion of low-income budgets—but Federal income and payroll taxes also increased more rapidly for low- and middle-income families.

Our amendment would take a portion of the benefits that have fallen to inflation's biggest winners—the multinational oil companies—and use them to ease the burden just a little on the low- and middle-income families that have suffered most from inflation.

The $2 to $3 billion the amendment would raise by repealing the oil depletion allowance will be used to help fund a modest $4.6 billion tax cut. The fiscal impact of this scaled-down tax reform and tax cut amendment is the same for this year as that of our original package, which contained reforms raising $4 billion, and a tax cut of $6.6 billion. The difference in each case is $2.6 billion. As in the original package, the revenue gain from reform will increase in later years. The first-year revenue gain from repealing depletion—$2 billion—will increase to $3.3 billion by the fifth year.

The administration has argued repeatedly that a tax cut would be inflationary. That argument is thin even if we are talking about a tax cut of $5 to $6 billion. According to press reports, an OMB study done a few months ago, but never released, showed that a tax cut of around $5 billion would not be inflationary. Again, just last week, Assistant Treasury Secretary for Economic Policy Edgar Fiedler wrote a column for the Washington Post saying:

> It is difficult to argue that in and of itself a cut of $5 billion—in the context of a $305 billion budget and a $1.4 trillion economy—would add substantially to inflation.

Now, when we are proposing a net reduction in revenues of only $2.6 billion in the first year and less in later years, the argument that it would be inflationary should be laid to rest.

We have scaled down our original tax cut amendment from $6.6 billion to $4.6 billion. It now provides for the option of either an $800 exemption or a $175 tax credit. It also includes Senator LONG's innovative work bonus proposal, which refunds to low-income workers with children an amount equal to 10 percent of their income up to $4,000, and a declining percentage of their income up to $5,600. This work bonus is payable whether or not these workers owe any income tax, and would make up for the highly regressive payroll taxes they must now pay.

The tax savings our scaled-down tax cut would bring to the average family are modest, but they will go at least part way toward making up for the higher taxes and prices imposed on them in this past year. Higher oil prices alone have cost consumers nearly $20 billion this year, and our amendment would return only a fraction of that.

A family of four with an income of $6,000 would save $192 under our amendment. A family of the same size making $10,000 a year would save $115.

Larger families, of course, would save more. A family of six earning $10,000, for example, would save $180.

More than 75 percent of the relief under our proposal would go to those making $15,000 a year or less, who have borne the brunt of this past year's inflation.

I ask unanimous consent that tables showing the distribution of the tax savings from our amendment by adjusted gross income class, and the change in tax burden for families of different sizes, be included in the RECORD at this point. The work bonus, which distributes $600 million to families earning less than $5,600, is not included in either table.

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

TABLE 1.—FEDERAL INDIVIDUAL INCOME TAX LIABILITY UNDER PRESENT LAW AND UNDER A PROPOSAL TO INCREASE THE PERSONAL EXEMPTION DEDUCTION TO $800 OR TO AN OPTIONAL TAX CREDIT OF $175

SINGLE PERSON AND MARRIED COUPLE WITH NO, 1, 2, AND 4 DEPENDENTS (ASSUMING DEDUCTIBLE PERSONAL EXPENSES OF 15 PERCENT OF INCOME)

| Adjusted gross income | Tax liability | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Single person | | Married couple with no dependents | | Married couple with 1 dependent | | Married couple with 2 dependents | | Married couple with 4 dependents | |
| | Under present law | Under the proposal | Under present law | Under the proposal | Under present law | Under the proposal | Under present law | Under the proposal | Under present law | Under the proposal |
| $3,000 | [1] $138 | [1] $84 | [1] $28 | | | | | | | |
| $5,000 | [1] 491 | [1] 458 | [1] 322 | [1] $219 | [1] $208 | [1] $44 | [1] $98 | | | |
| $6,000 | [1] 681 | [1] 662 | [1] 484 | [1] 403 | [1] 362 | [1] 228 | [1] 245 | [1] $53 | [1] $28 | |
| $8,000 | [1] 1,000 | [1] 1,089 | [1] 848 | [1] 783 | [1] 706 | [1] 608 | [1] 569 | [1] 433 | [1] 322 | $83 |
| $10,000 | 1,530 | 1,518 | 1,190 | 1,140 | 1,048 | 965 | 905 | 790 | 620 | 440 |
| $12,500 | 2,059 | 2,046 | 1,628 | 1,606 | 1,463 | 1,430 | 1,309 | 1,258 | 1,024 | 908 |
| $15,000 | 2,630 | 2,617 | 2,095 | 2,073 | 1,930 | 1,897 | 1,765 | 1,721 | 1,435 | 1,371 |
| $17,500 | 3,249 | 3,233 | 2,604 | 2,579 | 2,416 | 2,379 | 2,233 | 2,189 | 1,903 | 1,837 |
| $20,000 | 3,915 | 3,898 | 3,135 | 3,110 | 2,948 | 2,910 | 2,760 | 2,710 | 2,385 | 2,310 |
| $25,000 | 5,420 | 5,401 | 4,310 | 4,282 | 4,100 | 4,058 | 3,890 | 3,834 | 3,470 | 3,386 |

[1] Computed without reference to the tax tables for returns with adjusted gross income under $10,000.

TABLE 2.—ESTIMATED DECREASE IN FEDERAL INDIVIDUAL INCOME TAX LIABILITY RESULTING FROM INCREASING THE PERSONAL EXEMPTION DEDUCTION TO $800 OR TO AN OPTIONAL TAX CREDIT OF $175

BY ADJUSTED GROSS INCOME CLASS, 1974 INCOME LEVELS

| Adjusted gross income class | Number of returns affected (thousands) | | Decrease in tax liability (millions) |
|---|---|---|---|
| | Total number with tax decrease | Number made nontaxable | |
| 0 to $3,000 | 4,057 | 2,042 | −$176 |
| $3,000 to $5,000 | 7,579 | 1,349 | −415 |
| $5,000 to $7,000 | 8,273 | 989 | −548 |
| $7,000 to $10,000 | 11,428 | 600 | −874 |
| $10,000 to $15,000 | 15,952 | 161 | −990 |
| $15,000 to $20,000 | 9,856 | 12 | −434 |
| $20,000 to $50,000 | 9,006 | 3 | −484 |
| $50,000 to $100,000 | 655 | (1) | −64 |
| $100,000 and over | 160 | (1) | −18 |
| Total | 66,966 | 5,154 | −4,004 |

[1] Less than 500 returns.

Note: Details will not necessarily add to totals because of rounding.

Mr. MONDALE. Mr. President, the issue before us is one of tax fairness and equity.

The oil depletion allowance has for decades been one of the least defensible provisions in the Internal Revenue Code. Its supporters have sought to justify it as an absolutely vital incentive for oil exploration and development. Yet in a letter last year to the Senate Interior Committee, Treasury Secretary William Simon said that changes in depletion would have "relatively minor" and "little" effect on development and exploration in the short run, and "no effect" in the long run. In addition, Secretary Simon wrote, depletion costs the Treasury more in lost revenues than it saves consumers in lower prices, with the difference presumably going to profits, royalties, and dividends.

This letter was written in March of 1973, before the oil price explosion of this past year. With that doubling in prices, whatever slender rationale there was for the depletion allowance has been swept away.

When oil was selling for $3.50 a barrel last year, depletion was worth about 37 cents a barrel in lower taxes. Now, with oil selling at $7 and $10 a barrel, the incentives from price alone far exceed the incentives depletion has provided in the past. In addition, since the tax benefits from depletion increase with the price, the industry is now getting a double incentive—higher prices and higher depletion.

The oil industry's profits have become so bloated that they are unable to invest them all in new exploration and development, despite their repeated pledges to do so in expensive full-page ads.

Mobil announced just last week that it proposed to acquire the Marco Corp.—the parent company of Montgomery Ward department stores and the Container Corporation of America—at a cost of $500 million. One reason Mobil may have so much extra money floating around is that it paid only 2.2 percent of its income in U.S. taxes for 1973.

Mobil's announcement follows the effort a few months ago by the Gulf Oil Co. to acquire Ringling Bros. Barnum & Bailey Circus and the CNA Financial Corp. Gulf later dropped these plans, perhaps in embarrassment, but certainly not because they had to use the money to pay U.S. taxes. Their 1973 U.S. taxes came to 1.1 percent of their income.

Mr. President, enough is enough. The multinational oil companies are now profiting beyond the dreams of avarice from higher oil prices. They do not need depletion on top of this. Let us, therefore, tax them like other businesses are taxed, and let us use that extra revenue to bring some tax relief to those who have suffered while the big oil companies have flourished.

This amendment is only a modest step in the direction of fair and equitable burden sharing. It imposes a small extra burden on those corporations that can clearly afford it, and brings some modest relief to families that desperately need it. If ever there was a time for equity, it is now.

Mr. HASKELL. Mr. President, I send to the desk an unprinted amendment, which I, along with Senators CHILES and METZENBAUM, offer as a substitute for the pending amendment of the distinguished Senator from Minnesota (Mr. HUMPHREY) and other Senators.

The PRESIDING OFFICER. The Chair advises the Senator that the proposed amendment is not drafted appropriately as a substitute for this part of the divided amendment of the Senator from Minnesota.

Mr. HASKELL. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HASKELL. In what respect is it not appropriately drafted?

The PRESIDING OFFICER. It is broader than the pending amendment and does not say that it is an amendment to the pending amendment.

Mr. HASKELL. Mr. President, a further parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HASKELL. If the amendment as sent to the desk were modified in writing to state that it is a substitute amendment for the amendment of the distinguished Senator from Minnesota, would the amendment be in order?

The PRESIDING OFFICER. If the Senator will state that the language of his proposed amendment is intended to be inserted in lieu of the language of part 1 of the amendment of the Senator from Minnesota, then the amendment of the Senator from Colorado would be in order.

Mr. HASKELL. Mr. President, a further parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HASKELL. This would be necessary in view of the fact that the distinguished Senator from Minnesota divided his amendment. Is that correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. HASKELL. Then, I state that the amendment which I have just sent to the desk is intended to be a substitute for the first part of the Humphrey amendment.

I should further state to the Senator that that part of the amendment I have just sent to the desk, in addition, deals with the second part of the amendment of the distinguished Senator from Minnesota.

The PRESIDING OFFICER. The Senator's amendment will be so modified, and the clerk will state the modification.

The second assistant legislative clerk proceeded to read the amendment, as follows:

In lieu of the language of part 1 of the amendment by the Senator from Minnesota (Mr. HUMPHREY) numbered 1522——

Mr. HASKELL. Mr. President, I ask unanimous consent that the further reading of the substitute amendment be dispensed with.

Mr. BARTLETT. Mr. President, I object.

The PRESIDING OFFICER. Objection is heard.

The second assistant legislative clerk continued to read, as follows:

At the appropriate place in the bill, insert the following:

SEC. 3. Amendment of the Internal Revenue Code.

Except as otherwise expressly provided, whenever in section 4, 5, 6, 7, 8 or 9 a reference is made (by way of amendment or repeal or otherwise) to a section, chapter, or other provision, the reference shall be considered to be made to a section, chapter, or other provision of the Internal Revenue Code of 1954.

SEC. 4. Limitation of Investment Credit.

(a) IN GENERAL.—Section 46(a)(1) of the Internal Revenue Code of 1954 (relating to amount of credit) is amended to read as follows:

"(1) GENERAL RULE.—The amount of the credit allowed by section 38 for the taxable year shall be equal to a percentage (determined under the following table) of the qualified investment (as defined in subsection (c)).

Mr. HASKELL. Mr. President, may I make a suggestion to the Senator from Oklahoma? This is going to be a rather long reading, and I think I can make a simple explanation. Of course, if the distinguished Senator desires that the reading continue, that is his privilege. I merely make the observation that the amendment we have introduced is quite lengthy.

Mr. BARTLETT. Mr. President, reserving the right to object, I should like to ask the distinguished Senator from Colorado the purpose of his amendment.

Mr. HASKELL. I shall be more than pleased to explain the purpose of this amendment to the Senator from Oklahoma.

The Senator from Minnesota offered an amendment——

Mr. BARTLETT. I still reserve the right to object.

Mr. HASKELL. This amendment, if adopted, would repeal the asset depreciation range (ADR) system, it would repeal DISC, it would limit the use of the investment tax credit to aggregate investments of $100,000 or less, it would prohibit the treatment of what are, in effect, royalty payments to foreign governments as income tax payments entitled to a Federal tax credit.

I say to the distinguished Senator from Oklahoma that we also have a substitute for the second part of the Humphrey amendment. We propose a tax cut in the form of a nonoptional $200 personal tax credit as a replacement for the present $750 personal exemption. We believe this nonoptional nature of our substitute is essential to true tax equity.

Mr. BARTLETT. I wonder if the distinguished Senator from Colorado will describe rather explicitly what he calls the disguise of royalty as a tax, and I will not object to his second request.

Mr. HASKELL. I think that section of the amendment can be read by the clerk without undue delay.

The PRESIDING OFFICER. Is there objection to dispensing with the reading? The Chair hears none, and the reading of the amendment is dispensed with.

Mr. HASKELL's amendment is as follows:

In lieu of the language of part I of the amendment by the Senator from Minnesota (Mr. HUMPHREY) numbered 1522, insert the following:

SEC. 3. Amendment of the Internal Revenue Code.

Except as otherwise expressly provided, whenever in section 4, 5, 6, 7, 8 or 9 a reference is made (by way of amendment or repeal or otherwise) to a section, chapter, or other provision, the reference shall be considered to be made to a section, chapter, or other provision of the Internal Revenue Code of 1954.

SEC. 4. Limitation of Investment Credit.

(a) In General.—Section 46(a)(1) of the Internal Revenue Code of 1954 (relating to amount of credit) is amended to read as follows:

"(1) General Rule.—The amount of the credit allowed by section 38 for the taxable year shall be equal to a percentage (determined under the following table) of the qualified investment (as defined in subsection (c)).

The amount of the credit is:

7 percent thereof.

$3,500 plus 6 percent of the amount in excess of $50,000.

$3,980 plus 5 percent of the amount in excess of $58,000.

$4,380 plus 4 percent of the amount in excess of $66,000.

$4,700 plus 3 percent of the amount in excess of $74,000.

$4,940 plus 2 percent of the amount in excess of $82,000.

$5,100 plus 1 percent of the amount in excess of $90,000.

$5,200.".

"If the qualified investment is:

$50,000 or less.

More than $50,000 but not more than $58,000.

More than $58,000 but not more than $66,000.

More than $66,000 but not more than $74,000.

More than $74,000 but not more than $82,000.

More than $82,000 but not more than $90,000.

More than $90,000 but not more than $100,000.

More than $100,000.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property—

(1) the physical construction, reconstruction, or erection of which is begun on or after January 1, 1974; or

(2) which is acquired by the taxpayer on or after that date.

(c) Subpart B of part IV of subchapter A of chapter 1 (relating to rules for computing credit investment in certain depreciable property) is amended by adding at the end thereof the following new section:

"SEC. 50–1. Second termination of credit.

"(a) GENERAL RULE.—For purposes of this subpart, the term 'section 38 property' does not include property—

"(1) the physical construction, reconstruction, or erection of which is begun on or after January 1, 1974, or

"(2) which is acquired by the taxpayer on or after such date,

other than second pretermination property.

"(b) Second Pretermination Property.—The Secretary or his delegate shall prescribe regulations describing property which is treated as pretermination property for purposes of subsection (a). Such regulations shall prescribe rules similar to and consistent with the provisions of section 49(b).

"(c) LEASED PROPERTY.—In the case of property which is leased on or after January 1, 1974 (other than pursuant to a binding contract to lease entered into before such date), which is section 38 property with respect to the lessor but is property which would not be section 38 property because of the application of subsection (a) if acquired by the lessee, and which is property of the same kind which the lessor ordinarily sold to customers before such date, or ordinarily leased before such date and made an election under section 48(d), such property shall not be section 38 property with respect to either the lessor or the lessee.

"(d) PROPERTY PLACED IN SERVICE AFTER 1980.—For purposes of this subpart, the term 'section 38 property' does not include any property placed in service after December 31, 1980."

(d) CLERICAL AMENDMENT.—The table of sections for such subpart is amended by adding at the end thereof the following new item:

"SEC. 50–1. Second termination of credit.".

SEC. 5. Repeal of the Tax Exemption for a DISC.

(a) In General.—Section 991 (relating to tax exemption of a DISC) is amended by adding at the end thereof the following: "This section shall not apply to any taxable year beginning after December 31, 1974."

(b) Technical Amendment.—Section 992(a) (relating to definition of DISC) is amended by adding at the end thereof the following new paragraph:

"(4) Termination.—No corporation shall be treated as a DISC for any taxable year beginning after December 31, 1974."

SEC. 6. Prohibition of Foreign Tax Credits for Royalty Payments.

(a) Section 903 of the Internal Revenue Code of 1954 (relating to definition of creditable taxes) is amended to read as follows:

"(a) In General.—For purposes of this subpart and sections 164(a) and 275(a), the term 'income, war profits and excess profits taxes' means a tax paid in lieu of a tax on income, war profits, or excess profits otherwise generally imposed by any foreign country or by any foreign possession of the United States.

"(b) ROYALTIES.—

"(1) IN GENERAL.—For purposes of this subpart and sections 164(a) and 275(a), in the case of taxes paid or accrued to any foreign country with respect to income derived from the extraction, production, or refining of oil or gas in such country, the term 'income, war profits, and excess profits taxes' does not include any amount paid as a royalty.

"(2) DETERMINATION BY SECRETARY OR HIS DELEGATE.—The Secretary or his delegate shall determine, in accordance with the provisions of paragraph (3), with respect to payments made to any foreign country in connection with income from the extraction, production, or refining of oil or gas in such country, what portion (if any) of that payment constitutes the payment of a royalty.

"(3) BASIC RULES.—In the case of any foreign country which imposes an income, war profits, or excess profit tax on income from activities other than the extraction, production, or refining of oil or gas in that country, any part of a payment made to that country as an income, war profits, or excess profits tax which is not reasonably similar (in terms of the rate of tax, or of the amount of tax paid for the income or profits involved) to the amount payable with respect to income or profits arising out of other activities, as determined by the Secretary or his delegate, is considered to be a royalty payment. In the

case of any other foreign country, any part of a payment made to that country as an income, war profits, or excess profits tax which is determined by the Secretary or his delegate, on account of the manner in which it is determined, the rate or amount involved, or any other reason, to constitute the payment of a royalty is considered to be a royalty payment.".

(b) Section 904(f)(4) of such Code (relating to transitional rules for carrybacks and carryovers) is amended by adding at the end thereof the following new subparagraph:

"(C) CARRYOVER TO YEARS BEGINNING AFTER DECEMBER 31, 1973.—

"(i) Whenever pre-1974 taxes are, under the provisions of subsection (d), deemed to be post-1973 taxes, the pre-1974 taxes shall be redetermined in accordance with the provisions of section 903(b) (relating to royalties) as if those provisions applied to the taxable year in which the pre-1974 taxes were paid or accrued.

"(ii) For purposes of this subparagraph, the term 'pre-1974 taxes' means taxes paid or accrued to any foreign country or possession of the United States in any taxable year ending before January 1, 1974, and the term 'post-1973 taxes' means taxes paid or accrued to any foreign country or possession of the United States in any taxable year beginning after December 31, 1973.".

SEC. 7. Repeal of asset depreciation range system.

(a) Section 167(m) (relating to the Asset Depreciation Range System) is repealed.

(b) Section 167(a) (relating to a reasonable allowance for depreciation) is amended by adding at the end thereof the following: "Such reasonable allowance shall be computed, subject to the provisions of Revenue Procedure 62–21 (including the provisions for the reserve ratio test) as in effect on December 31, 1970, on the basis of the expected useful life of property in the hands of the taxpayer.".

(c) The amendment made by subsection (a) shall apply to property placed in service after December 31, 1973. The amendment made by subsection (b) shall apply to taxable years ending after December 31, 1974, but it shall not apply to property placed in service by the taxpayer during the calendar years 1971, 1972, 1973, or 1974 if an election has been made to have the provisions of section 167(m) applicable to such property.

SEC. 8. Credit against tax, in lieu of deduction, for personal exemptions.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits against tax) is amended by renumbering section 42 as section 44 and by inserting after section 41 the following new section:

"SEC. 42. Personal exemptions.

"There shall be allowed, as a credit against the tax imposed by section 1 or 3, the amount determined under section 151 for personal exemptions. Such credit shall not exceed the tax imposed by section 1 or 3 for the taxable year."

(b) CONFORMING AMENDMENT.—So much of section 151 of such Code (relating to deductions for personal exemptions) as precedes subsection (b) is amended to read as follows:

"SEC. 151. Credit for personal exemptions.

"(a) AMOUNT OF CREDIT.—The amount of the credit allowed by section 42 for the taxable year for personal exemptions shall be $200 for each exemption allowed to the taxpayer under this section for the taxable year.".

(c) CONFORMING AMENDMENT.—Section 151 is further amended by striking out "of $750" wherever it appears therein.

(d) TECHNICAL AMENDMENTS.—

(1) Sections 2(a)(1)(B), 2(b)(1), 143(b)(1), 214(b)(1)(A), 874(b), and 931(e) are each amended by striking out the word "deduction" wherever it appears and inserting in lieu thereof the word "credit".

(2) Section 37(a) (relating to retirement income credit) is amended by striking out "and" before "section 35" and by inserting before the period at the end thereof ", and section 42 (relating to personal exemptions)".

(3) Section 41(b)(2) (relating to contributions to candidates for public office) is amended by striking out "and" before "section 38" and by inserting before the period at the end thereof ", and section 42 (relating to personal exemptions)".

(4) Section 46(a)(3)(B) (relating to the investment credit) is amended to read as follows:

"(B) section 42 (relating to personal exemptions), and".

(5) Section 50A(a)(3) (relating to credit for expenses of work incentive programs) is amended—

(A) by striking out "and" and at the end of subparagraph (D),

(B) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof ", and", and

(C) by inserting after subparagraph (E) the following new subparagraph:

"(F) section 42 (relating to personal exemptions)."

(6) Section 63(b) (relating to definition of taxable income) is amended by striking out all that follows after the words "adjusted gross income" and inserting in lieu thereof "minus such standard deduction".

(7) Section 72(n)(3) (relating to special computation of taxable income) is amended by striking out subparagraph (A).

(8) Section 170(b)(1)(C) (relating to unlimited charitable deduction) is amended by striking out clause (ii).

(9) Section 172(d)(3) (relating to net operating loss deduction) is amended to read as follows:

"(3) ESTATES AND TRUSTS.—No deduction shall be allowed for the personal exemption allowed an estate or trust under section 642(b).".

(10) Section 443(c) (relating to return for short period) is amended by striking out "a deduction under section 151 (and any deduction in lieu thereof) and inserting in lieu thereof "as a credit under section 151 or a deduction under section 642(b)".

(11) The last sentence of section 642(b) (relating to estates and trusts) is amended to read as follows: "The deduction allowed by this subsection shall be in lieu of the credits allowed under section 42 (relating to credit for personnel exemptions).".

(12) Section 703(a)(2) (relating to partnership computations) is amended by striking out subparagraph (B).

(13) Section 873(b)(3) (relating to nonresident aliens) is amended to read as follows:

"(3) CREDIT FOR PERSONAL EXEMPTION.—Except in the case of a nonresident alien individual who is a resident of a contiguous country, only one credit shall be allowed for exemptions under section 151.".

(14) Section 891 (relating to citizens of foreign countries) is amended by striking out "under section 151 and"

(15) Section 933(1) (relating to residents of Puerto Rico is amended by striking out "(other than the deductions under section 151, relating to personal exemptions)".

(16) Section 1211(b)(3) (relating to deduction of capital losses) is amended by striking out "the deductions provided in section 151 (relating to personal exemptions) or any deduction in lieu thereof" and inserting in lieu thereof "any deduction allowed by section 642(b)".

(17) Section 1402(a) (relating to self-employment income) is amended by striking out paragraph (7).

(e)(1) The Secretary of the Treasury within 90 days after the date of enactment of this Act shall prescribe new tables for the withholding of tax under section 3402 of the Internal Revenue Code of 1954 to reflect the amendments made by this section. The tables shall apply to usages paid after December 31, 1974.

(2) Section 3402 of such Code is amended by striking out "exemption" and "exemptions" each place they appear, and inserting in lieu thereof "credit" and "credits", respectively. The amendment made by this section applies to taxable years beginning after December 31, 1974.

(f) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1973.

SEC. 9. Tax credit for low-income workers with families.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (as amended by section 4 of this Act) is amended by inserting the following new section:

"(a) IN GENERAL.—

"(1) ALLOWANCE OF CREDIT.—There shall be allowed to a taxpayer who is an eligible individual as a credit against the tax imposed by this chapter for the taxable year an amount equal to the applicable percentage (as determined under paragraph (2)) of the social security taxes imposed on him and his employer with respect to wages received by the taxpayer during that year. In the case of a taxpayer who is married (as determined under section 143) and who files a joint return of tax with his spouse under section 6013 for the taxable year, the amount of the credit allowable by this subsection shall be an amount equal to the applicable percentage (as determined under paragraph (2)) of the social security taxes imposed on him and his spouse, and their employers, with respect to wages received by the taxpayer and his spouse during that year.

"(2) APPLICABLE PERCENTAGE.—The percentage under paragraph (1) applicable to the social security taxes is—

"(A) 86 percent for calendar years 1974 through 1977,

"(B) 83 percent for calendar years 1978 through 1980,

"(C) 80 percent for calendar years 1981 through 1985,

"(D) 78 percent for calendar years 1986 through 2010, and

"(E) 68 percent for calendar years beginning after December 31, 2010.

"(b) LIMITATIONS.—

"(1) MAXIMUM CREDIT.—The amount of the credit allowable to a taxpayer (or to a taxpayer and his spouse in the case of a joint return of tax under section 6013) for any taxable year under subsection (a) shall not exceed an amount equal to 10 percent of so much of the wages (as defined in section 3121(a)) as does not exceed $4,000 received by that individual (or by that individual and his spouse in the case of a joint return of tax) during that year with respect to employment (as defined in section 3121(b) without regard to the exclusion set forth in paragraph (9) of that section).

"(2) REDUCTION FOR ADDITIONAL INCOME.—The amount of the credit allowable under subsection (a) for any taxable year (after the application of paragraph (1)) shall be reduced by one-fourth of the amount by which a taxpayer's income, or, if he is married (as determined under section 143), the total of his income and his spouse's income, for the taxable year exceeds $4,000. For purposes of this paragraph, the term 'income' means adjusted gross income (as defined in section 62 but without regard to paragraph (3) (relating to long-term capital gains)) plus—

"(A) any amount described in section 71(b) (relating to payments to support minor chil-

dren), 71(c) (relating to alimony and separate maintenance payments paid as a principal sum paid in installments), or 74(b) (relating to certain prizes and awards),

"(B) any amount excluded from income under section 101 (relating to certain death benefits), 102 (relating to gifts and inheritances), 103 (relating to interest on certain governmental obligations), 105(d) (relating to amounts received under wage continuation accident and health plans), 107 (relating to rental value of parsonages), 112 (relating to certain combat pay of members of the Armed Forces), 113 (relating to mustering-out payments for members of the Armed Forces), 116 (relating to partial exclusion of dividends received by individuals), 117 (relating to scholarships and fellowship grants), 119 (relating to meals or lodging furnished for the convenience of the employer), 121 (relating to gain from sale or exchange of residence by individual who has attained age 65), 911 (relating to earned income from sources without the United States), or 931 (relating to income from sources within possessions of the United States),

"(C) any amount received as a payment from a public agency based upon need, age, blindness, or disability, or as a payment from a public agency for the general support of the taxpayer and his family (as determined by the Secretary or his delegate), other than any payment for the purchase of prosthetic devices or medical services, and

"(D) any amount received as an annuity, pension, retirement, or disability benefit (including veterans' compensation and pensions, workmen's compensation payments, monthly insurance payments under title II of the Social Security Act, railroad retirement annuities and pensions, and benefits under any Federal or State unemployment compensation law).

"(3) APPLICATION WITH SECTION 6428.—The amount allowable to a taxpayer, or to a taxpayer and his spouse, as a credit under subsection (a) for any taxable year (after the application of paragraphs (1) and (2)) shall be reduced by the sum of any amounts received under section 6428 during that year.

"DEFINITIONS.—For purposes of this section—

"(1) ELIGIBLE INDIVIDUAL.—The term 'eligible individual' means an individual who maintains a household (within the meaning of section 214(b)(3)) in the United States which is the principal place of abode of the individual and a child of that individual with respect to whom he is entitled to a deduction under section 151(e)(1)(B) (relating to additional exemption for dependents).

"(2) SOCIAL SECURITY TAXES.—The term 'social security taxes' means the aggregate amount of taxes imposed by sections 3101 (relating to rate of tax employees under the Federal Insurance Contributions Act) and 3111 (relating to rate of tax on employers under such Act) with respect to the wages (as defined in section 3121(a)) received by an individual and his spouse with respect to employment (as defined in section 3121(b)), an individual and his spouse with respect to such wages by such sections if the definition of the term 'employment' (as defined in section 3121(b)) did not contain the exclusion set forth in paragraph (9) of such section.".

(b) The table of sections for such subpart is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 42. Personal exemptions.
"Sec. 43. Tax credit for low-income workers with families.
"Sec. 44. Overpayments of tax.".

(c) Section 6401(b) of such Code (relating to excessive credits) is amended by—

(1) inserting after "lubricating oil)" the following: ", 43 (relating to tax credit for low-income workers with families),"; and

(2) striking out "sections 31 and 39" and inserting in lieu thereof "sections 31, 39, and 43".

(d) Section 6201(a)(4) of such Code (relating to assessment authority) is amended by—

(1) inserting "OR" after "SECTION 39" in the caption of such section; and

(2) striking out "oil)," and inserting in lieu thereof "oil) or section 43 (relating to tax credit for low-income workers with families),".

(e)(1) Subchapter B of chapter 65 of such Code (relating to rules of special application) is amended by adding at the end thereof the following new section:

"SEC. 6428. Advance refund of section 43 credit.

"(a) IN GENERAL.—A taxpayer may receive an advance refund of the credit allowable to him under section 43 (relating to tax credit for low-income workers with families) not more frequently than quarterly by filing an election for such refund with the Secretary or his delegate at such time and in such form as the Secretary or his delegate may prescribe. If the taxpayer elects to base his claim for refund on social security taxes imposed on him, his spouse, and their employers, the election shall be a joint election signed by the taxpayer and his spouse. An election may not be made under this subsection with respect to the last quarter of the calendar year, and any other election shall specify the quarter or quarters to which it relates and shall be made not later than the fifteenth day of the eleventh month of the taxable year to which it relates. The Secretary or his delegate shall pay any advance refund for which a proper election is made without regard to any liability, or potential liability, for tax under chapter 1 which has accrued, or may be expected to accrue, to the taxpayer for the taxable year to which the election relates.

"(b) LIMITATIONS.—

"(1) AMOUNT OF REFUND.—The amount of any refund for which a taxpayer files an election under subsection (a) shall be an amount equal to the amount of the credit allowable under section 43 with respect to social security taxes payable with respect to that taxpayer (or, in the case of a joint election, social security taxes payable with respect to that taxpayer and his spouse) for the quarter or quarters to which the election relates.

"(2) INELIGIBLE FOR CREDIT.—No advance refund may be made under this section for any quarter to a taxpayer who, on the basis of the income the taxpayer and his spouse reasonably may expect to receive during the taxable year, will not be entitled to claim any amount as a credit under section 43 for that year.

"(3) MINIMUM PAYMENT.—No payment may be made under this section in an amount less than $30.

"(c) COLLECTION OF EXCESS PAYMENTS.—In addition to any other method of collection available to him, if the Secretary or his delegate determines that any part of any amount paid to a taxpayer for any quarter under this section was in excess of the amount to which that taxpayer was entitled for that quarter, the Secretary or his delegate shall notify that taxpayer of the excess payment and may withhold, from any amounts which that taxpayer elects to receive under this section in any subsequent quarter, amounts totaling not more than the amount of that excess.".

(2) The table of sections for such subchapter is amended by adding at the end thereof the following new item:

"Sec. 6428. Advance refund of section 43 credit.".

(f) Section 6011(d) of such Code (relating to interest equalization returns, etc.) is amended by adding at the end thereof the following new paragraph:

"(4) RETURNS OF TAXPAYERS RECEIVING ADVANCE REFUND OF SECTION 43 CREDIT.—Every taxpayer who elects to receive an advance refund of the credit allowed by section 43 (relating to tax credit for low-income workers with families) during the taxable year shall file a return for that year, together with such additional information as the Secretary or his delegate may require.".

(g)(1) The Secretary of the Treasury shall develop simple and expedient application forms and procedures for use by taxpayers who wish to receive an advance refund under section 6428 of the Internal Revenue Code of 1954 (relating to advance refund of section 43 credit), arrange for distributing such forms and making them easily available to taxpayers, and prescribe such regulations as may be necessary to carry out the provisions of sections 43 and 6428 of such Code. Each such application form shall contain a warning that the making of a false or fraudulent statement thereon is a Federal crime.

(2) The Secretary of the Treasury is authorized to obtain from any agency or department of the United Staes Government or of any State or political subdivision thereof such information with respect to any taxpayer applying for or receiving benefits under section 6428 of the Internal Revenue Code of 1954 (relating to advance refund of section 43 credit), or his spouse, as may be necessary for the proper administration of section 43 of the Internal Revenue Code of 1954 (relating to tax credit for low-income workers with families) and of section 6428 of such Code (relating to advance refund of section 43 credit). Notwithstanding any other provision of law, each agency and department of the United States Government is authorized and directed to furnish the Secretary such information upon request.

(h) Section 402(a)(7) of the Social Security Act is amended by inserting after "other income" the following: "(including any amounts derived from application of the tax credit established by section 43 of the Internal Revenue Code of 1954)".

(i) Except as otherwise expressly provided, the amendments made by this section shall apply with respect to taxable years beginning after December 31, 1973. No advance refund payment under section 6428 of the Internal Revenue Code of 1954 shall be made before October 1, 1974.

The PRESIDING OFFICER. The Senator may proceed.

Mr. HASKELL. Mr. President, I send the amendment to the desk for several reasons. The distinguished Senator from Minnesota (Mr. HUMPHREY) and other Senators proposed last week a tax reform—tax reduction package. The goal of that package, which I voted in favor of, was to give to those persons hit by inflation the hardest much-needed tax relief, and to pick up revenue from other sources in order to minimize any threat of fueling the already-raging fires of inflation.

One of the principal items of revenue-pickup in their package was a repeal of percentage depletion. But, that package lost fairly substantially, and, in my opinion, in large part because of the depletion repeal. It is probably not realistic at this particular stage of events, then, to think that we are going to repeal percentage depletion, although I personally am in general agreement with those urging that step. I am sure that

we shall very soon have another opportunity to deal with this issue. Last night, the distinguished Senator from Minnesota presented a second package. That package also repeals percentage depletion. The revenue gained from that repeal is about $1.9 billion. But, Senator Humphrey's amendment also proposes revenue relief which would cost us well over twice the $1.9 billion, that the amendment gains.

In my judgment, Mr. President, and in the opinion of many of those more qualified than I, this is not the time to have a cut in revenue—not when inflation is galloping in excess of 10 percent. The risk is simply not worth the monetary pleasure of a tax cut. The total revenue gained by our substitute is $5.2 billion. The tax cut that we propose will result in a revenue loss of $5.1 billion, leaving a net gain of approximately $100 million.

I should point out to Senators that this arithmetic on revenue gains ascribes no revenue gain to the modification of the use of the foreign tax credit that is included in our substitute. Our amendment states that when foreign taxes are real taxes—income taxes—there may be a credit, but when royalties or other normally deductible items are disguised as taxes they will not be allowed as a credit but only allowed as a deduction. The information on revenue effect was not available for that item; therefore, no figure is ascribed to that particular item. We can be sure, though, that the package we now offer is a noninflationary one.

I understand from talking with the distinguished Senator from Louisiana (Mr. LONG), there was some thought that the revenue gain from this part of our amendment might be in the neighborhood of $200 million or more, but that is uncertain.

Mr. President, I think we have discussed sufficiently the need for a tax shift in this country. It should be clear to all of us that low- and middle-income Americans are being crushed in the ever-worsening vise of inflation and shrinking real wages. It should be clear that these citizens desperately need our attention.

It should be clear, too, that there is room for a substantial tax cut if only we will take dramatic steps to close the worst of the gaping loopholes in our tax laws.

If an individual who makes $100,000 a year has to pay more for groceries and has to pay more for fuel, that is of no particular hardship because groceries and fuel represent a very minor portion of his budget. On the other hand, a man earning $10,000 a year, and having a family of four, spends the major portion of his budget on the necessities of life.

It is the cost of the necessities of life that has escalated in a way that is unparalleled. For these reasons, the families in the lower- and middle-income groups definitely should have a tax cut. Today, these groups pay more than their fair share—let us begin to end that injustice. At the same time should we give them this tax benefit without assuring offsetting revenues, the current inflation would get a further push. Inflation is now around 10 percent and could easily go considerably higher. If it should go any higher, we would have erased the little bit we had given them with a tax cut.

I would like to discuss the revenue-raising items I have chosen. I shall be brief. I will take the big one first, the investment tax credit. Our amendment would repeal the investment tax credit for all investments which exceed the aggregate qualified investment ceiling of $100,000.

The revenue effect of our repealing this provision would be a gain of approximately $3.5 billion. Why should we repeal it? This credit is a so-called incentive to businesses to invest in new plant and equipment. Whether they would so invest without the credit is immaterial; they get as a direct credit against their tax, liability an amount equal to 7 percent of the cost basis of their new assets.

There is considerable discussion on both sides as to whether the credit actually acts as an incentive. My personal feeling is that it is just another way of dramatically reducing corporate taxes. The vast bulk of the benefit of this incentive goes to the largest corporations. Little wonder, then, that, although the theoretical corporate tax rate is 48 percent, the overall effect rate is about 36 percent, while the 100 largest pay just 27 percent.

The Secretary of the Treasury, Mr. Simon, testified before the Finance Committee, chaired by the distinguished Senator from Louisiana (Mr. LONG), that to repeal the investment tax credit would have a terrible economic effect; that it would hurt business badly. Given Mr. Simon's background, that of an investment banker on Wall Street, his views do not particularly surprise me.

On the other hand, Professor Robert Eisner, a respected economist from Northwestern University, says just the opposite.

All I am trying to do is find an impartial analyst for this particular question: Does the investment credit really induce the investment in new plant and equipment? The most impartial source I have been able to find is the McGraw-Hill capital expenditures survey of 1973, which concludes that any inducement to investment caused by the credit is very, very minor. If so, then we are literally throwing away the taxpayers' money by subsidizing investment that would take place without the subsidy.

I could call upon my own limited experience prior to coming to the Senate. I feel that very few of the companies that I represented as a lawyer would have made investments just because of the investment tax credit. They decided what they wanted, what the return would be on it, what the return 10 or 20 years down the road would be, and then made the investment. Does it make any sense for the Federal Government to make profitable what would otherwise be an unprofitable investment? In the long run, I submit, it makes no sense at all.

Furthermore, I think prudent businessmen would not depend on the investment credit in making their return or their economic analysis, because I think the history of investment credit is that it has been a sometime thing. It is here today, it is gone tomorrow.

I would, however, allow the credit to stand for the small investor. An aggregate investment of $100,000 is not small to me, but it is in the business world, and I do believe that the small company, the closely held company, making that level of investment might be induced to make it because of the investment credit.

The second item which I seek to repeal is the asset depreciation range. The asset depreciation range says, in effect, that one can pretend that an asset has a 20 percent less useful life than it really has, and take depreciation on that basis.

Again, the McGraw-Hill Survey shows little incentive effect of the ADR system. Again, we have an unwarranted waste of the taxpayers' money. In the final analysis this type of tax incentive shifts the burden of taxation to the wage-earning public. It shifts the burden of taxation from those who make money by commercial transactions and puts it on the individual taxpayer.

The estimated revenue gain from the repeal of ADR is $1 billion.

The third item for repeal is DISC. I think there probably has been enough discussion on the floor of the Senate on DISCS's. Under the DISC provisions, if one does principally exporting business he can put his export receivables into one company and defer half the tax that he otherwise would have to pay. DISC went into effect several years ago. The Treasury estimated originally, if I am correct, that there would be a revenue loss of $100 million for 1972. It turned out to be two and a half times that amount, or $250 million. And obviously, it is going up all the time. The estimated revenue loss for the current year is in the neighborhood of $400 million.

DISC is not justified, as I can see, under any economic theory. It is, in effect, a subsidy for companies that happen to be in the export business. And, this subsidy exists even though the Treasury, the GAO and others attribute little of our recent export increases to DISC. Indeed, dollar devaluation and other international economic forces would likely have accomplished DISC's objective without the presence of a tax incentive.

These items of revenue can added up to $5.2 billion.

Incidentally, all these items are included in much their present form in an amendment which I submitted on May 2 of this year.

The fourth items was not in the amendment that I submitted on May 2, but it was a separate bill, S. 3095 which I submitted last March. I am pleased to say S. 3095 is cosponsored by the distinguished Senator from New Jersey (Mr. CASE), the distinguished Senator from Nevada (Mr. CANNON), the distinguished Senator from California (Mr. CRANSTON), the distinguished Senator from Minnesota (Mr. HUMPHREY), the distinguished Senator from New Hampshire (Mr. MCINTYRE), the distinguished Senator from South Dakota (Mr. MCGOVERN), the distinguished Senator from Illinois (Mr. STEVENSON), and the distinguished Senator from Idaho (Mr. CHURCH).

This amendment would permit income taxes paid to foreign governments which are truly income taxes to be a credit

against U.S. income taxes. In my personal opinion, Mr. President, this is right and proper, because I think if we did not allow a legitimate foreign tax credit, we would then be putting our corporations at a relative disadvantage of these foreign countries.

What has happened in the last two decades resulting in gross abuse of the foreign tax credit provisions of the code was the subject of hearing presided over by the distinguished Senator from Idaho (Mr. CHURCH). By some agreements 20 years ago, the Arabian countries were induced, instead of reserving a royalty on the minerals which they leased to foreign companies—and the foreign companies at that time were mostly United States corporations—to disguise those royalties into the form of income taxes. At that time and since that time—and this came out in the hearings held by the distinguished Senator from Idaho—it was then executive policy to allow these royalties to be credited against taxes due the Federal Government even though they were properly entitled to treatment only as ordinary and deductible business expenses.

These huge so-called income tax payments to Saudi Arabia, Kuwait, and other Mideast countries, disguised in the form of income taxes, because a credit against U.S. income taxes and operated there as a transfer from the U.S. Treasury to both the Saudi Arabian treasury and the major multinational oil corporations.

Mr. President, I submit this is not desirable national policy. It is not sound economic policy. It is not sound tax policy in any sense of the term that I can see.

Now I shall speak briefly on the revenue loss side of our balanced amendment. The "work bonus" which was first articulated by the distinguished Senator from Louisiana (Mr. LONG) and which provides for a rebate of social security taxes to low income families is included in our amendment.

On top of the work bonus, we propose that everyone receive a $200 tax credit, in lieu of the present personal exemption. For a family of four that would be an aggregate $800 tax credit.

This would amount to a tax benefit for nearly 90 percent of the taxpayers of the United States. It would amount to a revenue benefit for almost all individuals earning $20,000 or less, and, together with the "work-bonus" will result in a revenue loss of $5.152 billion.

Our amendment differs from that suggested by the distinguished Senator from Minnesota in that he would go one further step. He would retain and raise the present exemption. The exemption now is $750 and, I believe, he is now proposing to raise it to $800.

Mr. President, an exemption for somebody in the 70 percent bracket, and earning in excess of $100,000, is worth 70 percent of the exemption. If the exemption is $800; that would be $560 in taxes saved.

But for someone in the 15-percent bracket, the $800 exemption is worth only $120. For most Americans, the exemption would be worth less than $200 in taxes actually saved. In short, the amendment by Senator HUMPHREY and others would create a two-tiered system of personal exemption. On the upper tier would be the majority of taxpayers for whom the credit would be better than the $800 exemption. Or the upper tier would be the wealthy whose personal exemption might be worth as much as $560.

Is it right to have a two-tier tax system? Is it right to give $560 less in taxes to the man earning in excess of $100,000 and only $160 to the man earning $15,000 or less?

I submit, Mr. President, that this is going in the wrong direction. I prefer to treat all taxpayers equally. That is why my amendment differs from that of the distinguished Senator from Minnesota in regard to the proposed tax cut.

Mr. BARTLETT. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. HASKELL. Certainly.

Mr. BARTLETT. Mr. President, I ask unanimous consent that Ron Frank, David Russell, and Bud Scoggins of my staff have the privilege of the floor during the consideration of this measure.

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

Mr. HASKELL. Mr. President, I might say there are not enough Senators in the Chamber at the present time. I intend to ask for the yeas and nays on my amendment at the appropriate time.

I shall now yield the floor. If no Senator wants to take the floor, I suggest the absence of a quorum.

Mr. LONG. Mr. President, I would like to claim the floor for a few minutes.

Mr. HASKELL. I yield to the Senator from Louisiana.

Mr. LONG. Mr. President, I will endeavor in the short time that is allotted to us to try to point out what I believe is the complete fallacy of the Humphrey proposal to try to finance a tax cut by repealing the depletion allowance of the domestic oil industry.

Mr. President, there were large increases in oil profits last year, but they were not made by the domestic oil industry.

I have before me a chart which relies upon information furnished to the First National City Bank of New York. It demonstrates that last year there were large increases in profits because the Arabs formed an international cartel and boosted the price of oil.

Much of that price increase was because the oil companies were on a first-in, first-out inventory basis, which is different from the way most companies do business, and it is a profit that would not be anything so substantial as this year when the inventory has turned over and when the oil being sold is the same oil that has been bought at the higher prices that the Arabs forced on the rest of the world.

It is important to notice, Mr. President, that the U.S. domestic oil industry increased its profits in 1972 by only 6.4 percent; that is speaking of the seven largest companies, although those companies had a profit increase of 136.8 percent in their foreign operations. Or, if you compare the increase in dollars, it was $3,771 million in profits on their total foreign operation, and only $135 million on their domestic operation.

Mr. President, a $135 million increase in profits might sound like something substantial, until one takes note of the fact that that is a 6.4 percent increase in profits, and the cost of living increased by more than that.

To put it another way: The depreciation in the value of our currency was such that in terms of constant dollars they made less money within the United States in 1973 than they did in 1972. The domestic oil industry did not do a lot better than that, Mr. President. An average for the top 10 companies provided from a different source shows a return on equity of 10.6 percent that year, and, according to Fortune's 500 companies, in 1973 the average was 13.7. The profits of the domestic oil companies—the big ones that are doing better on the average than the independents—are well below the profits of the 500 largest companies.

So, Mr. President, if one were to put a tax on so-called windfall profits of the oil industry, the tax increase should go on the foreign oil. When the Senator moves to propose a tax increase on the oil industry, if he wanted to collect an additional $2 billion of taxes, one would think he would want to tax the 1973 profits of the seven large multinational oil companies; this is, the foreign oil profit rather than the U.S. profit.

But, oh, no. Here they propose to absolutely clobber the domestic industry, and leave virtually untouched the foreign oil industry.

That is a sort of blindness to the facts of life. It is a sort of insensitivity to the problems and the issue that is responsible for the energy shortage we have right now.

Why did the price of oil go up so much last year? It was because this Nation made the mistake of relying upon foreign oil, on the theory that we could get that oil more cheaply. The Arabs tried to pull a boycott on us on two previous occasions but failed to succeed, because at that time we had a domestic industry adequate to the needs of this country. But, Mr. President, there were those who desired "cheap" foreign oil so badly that they continued to favor the foreign producer over the domestic producer. With the foreign tax credit and the low cost of foreign oil, companies abroad were able to make vast profits and pay little or no taxes to this Government, and the result was that it was far more attractive to produce the oil in foreign lands than here.

When those who were so shortsighted as to make this Nation dependent on foreign oil had finally reduced the domestic industry to the point that it could not save, could not protect, could not defend the American consumer, then the Arabs succeeded in doing what they had failed twice to do before, and this time they refused to sell a barrel to the American people who had favored that oil. The only amount they got was what little bit leaked through the boycott.

I can understand how emotional the Arab countries would be about their struggle with the Israelis. That undoubt-

edly was the cause of their boycotting the United States completely. But they raised the price of the overall operation, and by raising the price, they made enormous additional profits. In a single year, the foreign profit, the balance-of-payments surplus of these oil-producing countries, exceeded $60 billion. Just think how much money that is: $60 billion payments made to those countries in a single year. Those countries made that much in a single year, because of the unwise and shortsighted policies of those who would crucify and destroy the American energy industry.

Have we learned? What we should be doing is to build a domestic industry that can provide this Nation with its energy requirements. That is what Project Independence is. But, oh, no, Mr. President. Ever since we had the disaster that occurred with the increased prices of foreign oil, and this Nation having had its people in lines four blocks long to fill their gasoline tanks and with the prices skyrocketing at the pump, we have seen those who, rather than try to build a domestic industry that was adequate to the needs of the American people, have tried to destroy that industry every chance they got. They have tried to reduce the price to the point that there would not be a sufficient return on the product, so that those who would produce oil could not afford to produce it. That means they would proceed to tax the domestic industry out of business.

I am sure, Mr. President, that if they succeed in that, someone will have a proposal that the Government go into the business, and that the Federal Government provide us with our energy requirements.

Some of us who have observed the experience of how well the Federal Government has made out with the Post Office feel that that is not the most efficient operation one could anticipate. It will not do what its advocates have hoped for it. But, Mr. President, we have in this country 10,000 independent producers of oil and gas who are the real competitive element of the economy. They are the ones who will hold the price of energy down if we ever reach self-sufficiency again, and they are the ones who would be injured most, if the Humphrey amendment were adopted, because everyone agrees that the depletion allowance means a great deal more to the independents than it does to the major companies. The independents have to have it as a matter of survival, and the major companies could raise their prices and get by without it.

When one studies the statements of the industry, we find it is far more essential to the independents that they have a depletion allowance than it is to the major companies. In many respects, it is to the advantage of the major companies to abolish the depletion allowance, because it would help to drive out their competitors and get rid of the independent producers whose competition tends to hold down the price of oil and its products.

Mr. President, I ask unanimous consent that the table to which I have referred, showing the income of the seven largest companies, provided by the First National City Bank, be printed at this point in the RECORD.

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

INCOME OF 7 LARGEST INTERNATIONAL PETROLEUM COMPANIES

| | 1972 (billions) | 1973 (billions) | Increase | Distribution of profit increase | Percentage increase |
|---|---|---|---|---|---|
| Total | $4.865 | $8.7 | $3.906 | 100.0 | 80.0 |
| Western Hemisphere (not United States) | .772 | 1.330 | .558 | 14.3 | 72.0 |
| Eastern Hemisphere | 1.984 | 5.197 | 3.213 | 82.2 | 161.0 |
| Total foreign | 2.765 | 6.527 | 3.771 | 96.5 | 136.8 |
| United States | 2.109 | 2.244 | .135 | 3.5 | 6.4 |

Source: First National City Bank.

Mr. LONG. Mr. President, there is no doubt in my mind that one could not find a more shortsighted proposal, if he wanted to be sure that Project Independence would not succeed and that this Nation would never be able to produce its requirements of energy, than to repeal the depletion allowance on domestic oil in such a fashion as is proposed by the Senator from Minnesota. His amendment imposes a tax burden of more than $2 billion on the domestic industry and only $40 million on the foreign industry, where the tremendous profits happen to exist. I shall have more to say about that later, Mr. President.

I point out that if we were to approach this matter in a different way, simply by trying to seek some revenue from all American companies which have made investments abroad, and if we were to change the foreign tax credit to a deduction instead of a credit, the Nation would gain about $4 billion in additional revenue. It may be that that tax rate would be altogether too high. I would be the first to concede that it would be if we add the American tax upon the foreign tax that has been imposed; but if we were to tax them at just one-half that rate, that would bring more tax revenue of about $2 billion. Of that amount, approximately $1.25 billion, or about 60 percent, would be revenues derived from U.S.-based multinational oil companies.

If we raise the revenue in that fashion, that would be taxing the oil where the big profits have been, taxing those major windfall profits, not taxing the independent segment of the business out of business and forcing a major price increase on the American consumer. It would make far better sense, if we wanted to tax the oil companies to help finance any tax proposal, to move in that fashion, than it would to move in a way that discriminated against the domestic industry and favored the industry's going abroad.

For that reason, Mr. President, I believe that the Humphrey tax proposal should be voted down, and I hope that when the Senate has a chance to vote on this matter, the Senate will reject that amendment, for the reasons I have mentioned here.

Mr. HART. Mr. President, the need for the tax reform and tax-cut amendment introduced by Senator HUMPHREY as amendment No. 1522, which I have cosponsored, is clear cut. Particularly after having been the subject of recent hearings before the Finance Committee floor adoption of it is warranted. The record against the percentage depletion provision is supersaturated, having been nurtured unceasingly from the time of its enactment some 50 years ago. Though I disagree with those who think tax reform is indispensable as a revenue-raising device to offset the cost of the tax cut proposal, I feel, nonetheless, that it is equally important as corrective surgery upon our present distorted tax system.

The oil companies would contribute $2.5 billion to the Treasury in 1974, if the section repealing the domestic percentage depletion allowance is passed; $2.5 billion from one industry may seem like a lot of money to the person who is looking forward to the $190 tax credit, but his perspective is bound to be restored when he compares $2.5 billion with a figure of $4 billion in 1973 profits earned by oil companies solely from producing U.S. oil. The figure will surpass $8 billion this year. The majors in this industry are quick to add, moreover, that most of their profit is raised abroad.

When trying to contrast the cost of the industry of repealing percentage depletion against the benefits they have derived from rising prices over the past months, the only frustration is trying to decide which of the indices of those benefits will best bring home the unsoundness of any suggestion that the allowance ought now to be continued in any form.

Yet the Ways and Means Committee apparently felt differently. Instead of dealing directly with the depletion issue, it recently approved a windfall profits tax for 1974 which would collect a mere $670 million. Though the percentage depletion option would ostensibly be reduced from the present 22 percent to 15 percent in 1975, 8 percent in 1976 and zero thereafter, several exceptions serve to maintain the allowance well above these levels through 1979.

The Democratic Caucus in the House has expressed its vehement disapproval of such a modest response to so compelling a situation. Recently it voted to direct Democrats on the Rules Committee to vote for a modified closed rule on the oil tax bill that would allow House Members to vote on the floor for a depletion repeal amendment identical to the one we now have before us. Here is our chance to take an equally strong stand on this important issue. Since the future of the Ways and Means package is in doubt, this may be our only chance this year.

The industry arguments favoring retention of the allowance grow weaker by the day. Price increases for crude oil over the past months have eliminated whatever validity there ever was to the notion that the costly and inefficient percentage depletion subsidy was necessary to provide the high-risk capital essential to find new crude oil deposits. Perhaps more than any other evidence supporting

this conclusion, a December 1972 report of the industry-dominated National Petroleum Council demonstrates the belief of industry that present domestic prices are far in excess of those necessary to stimulate production of proven domestic resources and to finance exploration and development of oil in quantities estimated to be double the amounts already found by the end of 1970. This conclusion and several others of equal importance are contained in the following quote from the NPC December 1972 publication, "U.S. Energy Outlook":

The volume of domestic oil and gas remaining to be found will not be a limiting factor on domestic supply prior to 1985. There remains to be discovered almost as much oil-in-place and twice as much non-associated gas as had been found by the end of 1970.

The most effective economic incentive would be to allow prices to increase to the level at which the industry can attract and internally generate the risk capital needed to expand activity to its maximum capability. This requires both a fair return on total investments as well as the anticipation of attractive returns on current and future investments.

Assuming a 15-percent annual rate of return in constant 1970 dollars, 1985 average oil "prices" may have to range from $5.06 to $7.21 per barrel to support the activity levels assumed . . .

According to these same criteria the NPC came to the following conclusions for the "average required 'prices' " in terms of constant 1970 dollars. For the year 1975, a range of $3.54 to $3.70; and for the year 1980 a range of $4.26 to $5.16.

Though foreign earnings are higher because more of the majors' total production is done abroad, their rate of return on a barrel of oil produced in the United States is the highest in the world. The April 1, 1973, issue of Forbes magazine stated that the United States accounts for about 18 percent of Exxon's daily production of 6 million barrels, but more than a third of its total profits. Clearly then, repeal of the domestic percentage depletion allowance poses no threat that the majors will jeopardize domestic self-sufficiency by shifting production to other parts of the world.

It now appears unlikely that further price controls can be imposed on crude oil and petroleum products. Though so-called old oil is still price controlled with some exceptions, 1973 and first quarter 1974 profits of the domestic oil industry testify to the ineffectiveness of this partial control. Consequently, opponents of repeal can no longer argue convincingly that Government is chewing away at them from both ends, the tax end and the price end. To the extent natural gas remains under strict FPC price regulation or is committed under fixed-price contracts, an exception in the amendment retains the percentage depletion allowance for sales of that natural gas.

The effect of failing to repeal percentage depletion as of January 1, 1974, will be to grant the oil industry a Government subsidy of $2.5 billion. The use to which that grant would be put has already been clearly evidenced by the companies themselves. On Monday, June 17, Mobil offered to pay $500 million for Montgomery Ward. On the same day, a spokesman for Gulf, which last year made two unsuccessful attempts to diversify into other industries, said:

The oil companies have a tremendous cash flow and so we're always looking for new opportunities . . .

That cash flow is so much greater for oil companies than for other industries largely because of percentage depletion. Imagine the reaction if any of these companies were to apply for a $500 million grant to diversity into other industries. Yet in a sense that is what this debate is really about.

I urge the Senate to face this fact squarely and repeal the grant of percentage depletion once and for all.

Mr. President, the tax-cut and work-bonus provisions of the amendment gives the Senate an important opporunity to help relieve low- and middle-income families of the bitter bite they have suffered recently as the economy plunges toward recession, while at the same time, inflation runs rampant.

My conviction that a tax cut will help rather than hurt was reached only after a dizzying and depressing trip through a maze of economic statistics and arguments issued on all sides of the question.

The first step, an evaluation of the antirecession benefit of stimulating demand and reduced unemployment, was relatively easy. Ever-mounting evidence of a decline in the gross national product was capped recently by revised first quarter Commerce Department figures, showing that the real value of GNP has declined at an annual rate of 6.3 percent, the severest drop since 1958.

Demand for durable goods generally, not only autos, has fallen, and consumption of nondurables and services has barely kept ahead of inflation. Though widely publicized shortages of some commodities and lengthening delivery schedules for certain capital goods are partly to blame, the overwhelming responsibility for the demand decline must be directed at higher unemployment, increased prices, particularly for food and fuel, tight money and higher taxes.

The administration and some respected economists say that sufficient fiscal stimulus has been built into the fiscal 1975 budget or will result from automatic increases in spending for unemployment compensation as unemployment rises. But the budget is actually restrictive and will become more so if defense expenditures are reduced, as they should be. I do not think we can afford to rely on President Nixon's announced contingency plans for recession since his view of our economic prospects seems to get more optimistic as conditions get worse. Witness the report of the Council of Economic Advisers submitted to Congress on May 28.

Most compelling of all arguments for the cut is the critical need to meet our responsibility to compensate low- and middle-income citizens for the recent erosion of the buying power of their incomes caused by inflation.

The Joint Economic Committee report on the economy issued in March shows that a family earning $12,000 lost over $1,000 in purchasing power last year, because of inflation. Lower income families were hit even harder since a greater percentage of their incomes was spent on necessities such as food and fuel, where price increases have been the greatest.

In April, real spendable earnings declined at annual rate of 9.6 percent. The Consumer Price Index rose at an annual rate of 11.5 percent for the first quarter of 1974, accelerating the annual rate increase of 8.8. percent experienced during the fourth quarter of 1973.

Not only were wage increases eroded by inflation, but also by higher taxes paid by people whose higher wages pushed them into higher tax brackets. This, coupled with the regressive social security tax, makes Government another undeserving beneficiary of the taxpayer's financial bind.

The tax cut proposal will increase the personal exemption deduction from $750 to $825, allow an optional $190 credit against taxes for each personal exemption, and allow a refund of social security taxes to low-income workers with children. The refund or "work bonus" equals 10 percent of annual wages up to $4,000. At wages above $4,000, the credit is phased out at 25 cents per dollar so that it disappears when income reaches $5,600.

The alternative deduction or credit for personal exemptions serves to restore greater progressiveness to the tax system by concentrating its benefit among low- and middle-income taxpayers. Almost 82 percent of the total tax decrease will be enjoyed by individuals with incomes below $15,000, most of whom will prefer to take the credit to the deduction.

I would like to have seen a mandatory credit for everyone rather than the option of a deduction or credit, because wealthy taxpayers can reduce their taxes by much more for each dependent by taking the deduction than can their poorer counterparts using the credit. It makes no sense that each dependent of a married couple with two dependents generates a $110 tax saving if the couple earns $5,000, while the comparable saving is $210 if their income is $25,000. However, the optional credit is an important step toward spurring public recognition of the greater tax equity that can be produced by changing many present personal tax deduction items to tax credits.

Like many who oppose this tax cut, my gravest concern was that it would serve only to fuel the inflationary fires still raging, seemingly uncontrolled in our economy. This fear has been eased, however, by several factors. First is the modesty of the cut. The benefit ranges from $14 for a single person with an adjusted gross income of $12,500 to $322 for a family of six sharing an adjusted gross income of $8,000. The savings on 1974 incomes will most likely be distributed in reductions of withholding taxes over the last half of 1974 and during the first quarter of 1975 when 1974 tax refunds are paid. Though some of the saving might be spent on scarce items, causing isolated inflationary effects, I am confident that most of it will go for consumer goods for which demand has slackened considerably in recent months.

If anything, therefore, the proponents

of this measure might be vulnerable to a charge that the cut is too little too late, as the cliche goes. Granted, much more can and should be done to fight inflation, reduce unemployment, and restore greater equity to our tax system, but this cut will bring significant relief to millions of citizens. If passed by Congress, it will signal the administration that counting on huge corporate profits and special tax and other subsidies for the few to bring general prosperity to the rest is unacceptable.

INFLATION, PERSONAL INCOME TAX DEDUCTIONS AND CREDITS

Mr. FANNIN. Mr. President, on June 17, 1974, it was pointed out that the so-called tax reforms are moving simultaneously in opposite directions—both of them wrong—in an attempt 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 deeper economic decline. The combination of the two could result in economic disaster for the country.

Today, I would like to comment specifically on why a tax cut would intensify the inflation problem and the economic effect on an individual taxpayer. The proposals to increase the personal exemption to $825, or provide an optional tax credit of $190 in lieu of the personal exemption, are designed to provide relief to taxpayers against the ravages of inflation. While recognizing that the tax cut is not intended to fully compensate taxpayers for their loss of real income as a result of accelerating rate of inflation, it would be helpful to consider the tax cut proposal and the inflation problem in a proper perspective.

Many economists question whether a permanent reduction in individual's taxes is the appropriate tool for dealing with the effects of inflation upon personal real income.

First, wages generally are adjusted upward to reflect changes in the cost of living within a period of months in some cases and over a slightly longer period for the balance of the work force. Under these circumstances the inflation argument does not justify a permanent tax cut.

Second, the benefits of the proposed tax reduction are insignificant when measured against the loss of real income due to an excessive rate of inflation. This relationship is illustrated in a table recently prepared by the Treasury Department.

Mr. President, I ask unanimous consent that the table be printed in the RECORD at this point.

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

INFLATION, PERSONAL INCOME TAX EXEMPTIONS AND PERSONAL INCOME TAX CREDITS

An inflation rate of 10 percent per year rather than 6 percent per year reduces the real income of a taxpayer by 4 percent of his after tax income per year—if his money income is constant. The annual reductions for families of four in various income levels and the reductions in taxes awarded by the Kennedy-Mondale proposal are as follows:

| | Annual reduction in real income due to 4 percent additional inflation | Annual tax reduction awarded by Kennedy-Mondale proposal |
|---|---|---|
| Itemized deductions equal to 18 percent of AGI and adjusted gross income equal to: | | |
| $8,000 | $125 | $49 |
| 12,000 | 227 | 35 |
| 15,000 | 305 | 22 |
| Standard deduction and adjusted gross income equal to: | | |
| $8,000 | 125 | 49 |
| 12,000 | 239 | 30 |
| 15,000 | 327 | 22 |

Source: Office of Tax Analysis, U.S. Treasury Department.

Mr. FANNIN. Mr. President, the table shows that a family of four, with $12,000 adjusted gross income and using the standard deduction, receives a tax reduction of $30 under the proposal.

On the other hand, the table shows that a 4-percent increase in the rate of inflation from 6 to 10 percent, which is similar to the increases we are experiencing this year, reduces the real income of that family of four with $12,000 gross income by $239. In other words the current 4-percent increase in the rate of inflation costs this family almost eight times the $30 tax cut they would realize under the proposal.

Further, in this period of demand-pull inflation, a tax cut of $6 billion will add substantially to the demands for consumption and can only worsen the inflation problem. Viewed in this perspective, the increase in the rate of inflation brought about by the $6 billion tax reduction going to consumers, will cause a loss in real income much greater than the benefit received under the tax cut.

Mr. President, as bad as this situation would be for a worker earning $12,000 a year, let us consider for a moment the disastrous results facing those millions of citizens living on small, fixed retirement income. A tax cut would operate as a double edge sword and cut both ways. These citizens pay little or no tax on their modest retirement income—nor should they be expected to pay—so a tax cut would not add $1 of spendable income. The resulting inflation would indeed affect those on a fixed income and they would soon have less dollars to pay for the escalating costs of housing, food, and medicine.

Mr. President, a tax cut at this stage of our economy constitutes a cruel political hoax on those citizens and taxpayers that are the least able to withstand the ravages of inflation.

Mr. MAGNUSON. Mr. President, high prices have created tremendous windfall profits for oil companies. The size of the windfalls is so large that the numbers are hard to grasp. The Joint Economic Committee on Internal Revenue Taxation estimates 1974 profits on domestic oil production alone will be $9 billion after taxes. These windfall profits are in large part attributable to taxpayer subsidies of the oil industry. It is time Congress insists that the oil industry pay its fair share of taxes on these increased profits. I am pleased to join with Senator RIBICOFF and other Senators in an amendment to H.R. 14832, the debt ceiling bill. Our amendment will restore equity to the energy tax system. We propose that the Senate act to repeal the oil and gas depletion allowance immediately. This huge tax loophole has outlived any usefulness it may have had. Simple justice requires that taxpayers no longer subsidize the industry that is reaping windfall profits far in excess of anything our Nation has ever experienced.

Proposals for repeal of oil depletion certainly are not new. The sponsors of subsidies to the oil industry have been around as long as the income tax, and so have those who oppose such special treatment. But it is now time to give serious scrutiny to the philosophy underlying continuation of depletion allowances. Depletion allowances are simply direct, out-of-pocket subsidies from taxpayers to producers. Any rationale that such subsidies were necessary in 1972 simply does not apply under the energy economy of 1974. Formerly, depletion was defended as needed to make domestic oil and gas exploration and development financially competitive with cheap foreign crude oil. But today, the new high prices of foreign oil provide a distinct price advantage to domestic producers.

Current windfall profits for the production of domestic oil and unregulated natural gas provide plenty of incentive for domestic development without additional taxpayer subsidies which make domestic production even more profitable. Today, domestic development activity is constrained not by lack of capital or profit incentive, but rather by the physical capacity of the industry and its equipment suppliers. The industry is suffering severe research shortages. Retention of repeal of the depletion allowance will not relieve or eliminate these shortages. However, retention of depletion will provide an added $2 billion windfall to oil producers this year alone. By 1980, the total difference between immediate and phased repeal of depletion, as proposed by the House Ways and Means Committee, will total $8 billion.

I expect that we will all hear the argument that this amendment is an inappropriate vehicle for change in the tax laws. I understand such concerns. I do not lightly recommend that the Senate act without further hearings on this matter. The Senate Finance Committee has held extensive hearings on this and other proposals in the last month. I believe the Senate must proceed. Tax subsidies are pouring to domestic oil producers at the rate of $5.5 million every day that the current depletion allowance is retained. Further delays will not add significant new information to the public record. The operation of the depletion allowance is widely understood. The literature on the subject is vast. Proponents and opponents of depletion have appeared many times on Capitol Hill over the last decade.

The totality of this public record indicates that depletion allowances have not stimulated exploration and develop-

ment. To the contrary, a Library of Congress study indicates that they have stimulated overdrilling of existing fields. Further, depletion allowances reward large domestic producers out of proportion to the rewards received by smaller producers. Worst, during today's energy shortages, depletion allowances actively discourage capital expenditures in cheaper, more abundant energy sources, such as coal liquefaction, oil shale, and solar energy.

The Congress must choose the most efficient incentives to encourage the production of new domestic energy supplies. Existing depletion tax subsidies are inefficient incentives. In fact, they often act as disincentives to additional exploratory activity.

Such inefficient tax subsidies cannot be justified during times of windfall producer profits. Domestic oil prices have more than doubled over the past year, and the price of domestic crude oil continues to rise.

The President's energy message calls for a tax on windfall profits. The Senate has already voted in favor of a price rollback. It is unconscionable to argue that tax subsidies are needed to further increase oil profits today.

In 1972, domestic crude oil was more expensive than foreign crude oil. Today foreign crude oil has a posted price in excess of $10 per barrel. The cost of domestic crude oil production averages less than $3.50 per barrel. Yet, new domestic crude oil is being sold at foreign crude oil prices. Domestic producers are now reaping a $6.50 per barrel windfall on new oil sales. Repeal of the oil depletion allowance will reduce this windfall to about $5 per barrel. So immediate repeal of depletion will still leave massive increased profits as incentives to attract expanded oil and gas production. I wish to emphasize that the Senate has already voted in favor of a $3 per barrel roll-back on domestic crude oil. Repeal of depletion would result in a reduction of approximately $1.50 per barrel of the most expensive domestic crude oil. The average price impact would be less than $1 per barrel.

I believe there are three overriding reasons to repeal depletion tax subsidies today. Depletion allowances are inefficient subsidies. They have not stimulated exploration for new resources, they have stimulated overdrilling of already existing oil fields. Second, depletion allowances discourage production of cheaper and more abundant energy sources. They make investment (in alternative) energy sources such as solar and coal liquefaction distinctly disadvantageous. Third, it is simply not true that windfall profits are needed to finance future oil and gas expansion. Industry estimates predict 1974 capital investment levels about 30 percent above 1973. Yet, 1974 profits are over 100 percent above 1973 levels. There is no need for these huge windfalls. Even Secretary Simon has conceded:

> In the short run, changes in percentage and depletion should have little effect on the rate of expenditure of discovery efforts . . . in the long run, a change in depletion should have no effect, per se, on the rate of production.

I understand that many spokesmen for the industry have raised the red flag of increased costs for consumers if depletion allowances should be repealed. This is patent nonsense. It is true that repeal of depletion would cut into the profits of domestic producers. It is not true that this change in profits could be passed through to consumers. The limit on the price people pay for gasoline today is set by the price of foreign crude oil imports. Arab oil prices will not be affected by the repeal of U.S. domestic repeal allowances. Until the cost of U.S. domestic production reaches the cost of foreign crude oil imports, the tax subsidy structure for domestic production will have no effect on the price of domestic oil products to consumers. Any attempt to waive the "boogie man" of increased profits while OPEC is controlling the world price of oil is simply untrue.

I am pleased to report the strong support of professional economists and tax policy experts for this depletion repeal proposal. Economists around the Nation recognize that the basic economics of the oil-producing industry has changed here in the United States. This is a time of massive windfall profits for majors and independents alike. The industry is arguing for higher and higher profits while doggedly asserting its unlimited right to continued taxpayer subsidies.

Mr. President, I request permission to have printed in the RECORD a series of letters which I have recently received from economists and tax policy experts from around the Nation. In one of these letters, 59 noted economists, including 3 Nobel laureates, recommend the termination of the depletion allowance. Prof. Arthur Wright has stated elsewhere that the depletion allowance is a "very clumsy and ambiguous way to provide subsidies." Otto Eckstein, a member of the Council of Economic Advisers under President Johnson, was gracious enough to send me a letter on the subject and describes the depletion allowance as "obsolete." Stephen McDonald, chairman of the Department of Economics at the University of Texas, has stated publicly that:

> A direct cash subsidy to, say, exploration, would be preferable to the percentage depletion allowance.

As far back as 1968, the Treasury Department released a study entitled "The Economic Factors Affecting the Level of Total Domestic Petroleum Reserves." The major conclusion of the study was:

> Percentage depletion is a relatively inefficient method of encouraging exploration and resultant discovery of new domestic reserves of liquid petroleum.

Mr. President, I have been deeply impressed by the volume of mail I have received from the professional economists and tax policy experts around the Nation. These letters have been from individuals of national and international reputation, men and women held in the highest regard by their professional peers. The tone and urgency of the letters is so striking that I wish to share them with the rest of the Senate.

Mr. President, I request unanimous consent to have the letters I received printed in the RECORD.

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

PUBLIC INTEREST ECONOMICS CENTER,
*Washington, D.C.*

*To the Congress of the United States:*

For many years the Federal government has lightened the tax burden of the petroleum and other extractive industries by special provisions of the tax code. These indirect subsidies have been one of the causes of our long-run energy problem. They have stimulated production and consumption, draining the U.S. of our oil and increasing our dependence on foreign sources. And they have inhibited the development of substitute sources of energy, such as geothermal and solar, which do not benefit from these special provisions.

One alternative—to keep the present provisions intact and add on a "temporary" excess profits tax and a special investment tax credit—seems likely to be a mistake. The excess profits tax may indeed prove temporary while the special investment tax credit proves permanent, which has been the history of minerals taxation. This would further complicate an already too complicated tax code, creating new inequities and distortions, further lightening the oil industry's tax burden and worsening our long-run energy problem. On the contrary, the remedy is to simplify the tax code and move toward greater tax neutrality by eliminating the special privileges.

We should eliminate the percentage depletion allowance and treat capital expenditures in the extractive industries on the same basis as those in other industries. In the past, petroleum companies have been permitted to treat what are essentially royalty payments and excise taxes as foreign income taxes subject to the foreign tax credit. This practice should be reformed. If we eliminate the special provisions for the extractive industries, then it is doubtful that we would need an excess profits tax for petroleum. Incentives for exploration and development should not be made in the tax code. If such incentives are needed, they should be made explicitly on the expenditure side of the budget.

Respectfully submitted,

Allen R. Ferguson, President, Public Interest Economics Center;

Dr. Armen A. Alchian, Los Angeles, California;

Professor Kenneth J. Arrow, Department of Economics, Harvard University*;

Professor Robert T. Averitt, Department of Economics, Smith College;

Carolyn Shaw Bell, Katharine Coman Professor of Economics, Wellesley College;

Professor Charles A. Berry, Department of Economics, University of Cincinnati;

Professor Bradley B. Billings, Department of Economics, Georgetown University;

Professor Stanley W. Black, Department of Economics, Vanderbilt University*;

Dr. Gerard M. Brannon, Research Professor of Economics, Georgetown University;

Professor Charles J. Cicchetti, Department of Economics, University of Wisconsin;

Professor James Crutchfield, Department of Economics, Graduate School of Public Affairs, University of Washington;

Professor John H. Cumberland, College of Business and Public Administration, University of Maryland;

Professor Paul Davidson, Department of Economics, Rutgers University;

Professor Robert K. Davis, Department of Geography and Environmental Engineering, Johns Hopkins University;

Professor Fred C. Doolittle, Joint Program

Footnote on next page.

in Law and Economics, University of California at Berkeley.

Professor Thomas D. Duchesneau, Department of Economics, University of Maine;

Professor Robert Eisner, Department of Economics, Northwestern University;

Professor Arthur M. Freedman, Finance Department, Wharton School, University of Pennsylvania;

Professor A. Myrick Freeman III, Department of Economics, Bowdoin College;

Dr. John W. Fuller, Wisconsin Department of Transportation;

Professor Daniel R. Fusfeld, Department of Economics, University of Michigan;

Professor J. K. S. Ghandhi, Finance Department, Wharton School, University of Pennsylvania;

Professor Arnold C. Harberger, Department of Economics, University of Chicago, and Visiting Professor of Economics, Princeton University;

Professor Steve H. Hanke, Department of Geography and Environmental Engineering, Johns Hopkins University;

Professor Robert Haveman, Department of Economics, University of Wisconsin;

Professor Edward S. Herman, Finance Department, Wharton School, University of Pennsylvania;

Dr. Allen V. Kneese, Washington, D.C.

Professor Edwin Kuh, Department of Economics, Massachusetts Institute of Technology;

Dr. Jack L. Knetsch, Environmental Defense Fund;

Dr. John V. Krutilla, Washington, D.C.

Professor Wassily Leontiev, Department of Economics, Harvard University;

Professor Ervin Miller, Finance Department, Wharton School, University of Pennsylvania.

Professor James R. Nelson, Department of Economics, Amherst College.

Professor Roger G. Noll, Department of Economics, Division of the Humanities and Social Sciences, California Institute of Technology*;

Dr. Benjamin A. Okner, Washington, D.C.;

Professor Charles E. Olson, College of Business and Management, University of Maryland;

Dr. Talbot Page, Washington, D.C.;

Dr. Joseph Pechman, Washington, D.C.;

Professor Giulio Pontecorvo, Graduate School of Business, Columbia University;

Dr. Ronald G. Ridker, Washington, D.C.;

Professor Stefan H. Robock, Graduate School of Business, Columbia University;

Professor Paul A. Samuelson, Department of Economics, Massachusetts Institute of Technology;

Professor James D. Smith, Department of Economics, Penn State University;

Professor V. Kerry Smith, Department of Economics, State University of New York at Binghamton;

Professor Robert M. Solow, Department of Economics, Massachusetts Institute of Technology;

William Vickrey, McVickar Professor of Political Economy, Columbia University;

Professor Charles Waldauer, Department of Economics, Widener College;

Professor Harvey E. Brazer, Department of Economics, University of Michigan;

Professor Duane Chapman, Department of Economics, Cornell University;

Professor George M. Eastham, Department of Economics, California Polytechnic State University;

Professor Robert J. Gordon, Department of Economics, Northwestern University;

Professor Byron Johnson, Department of Economics, University of Colorado, Member, 86th Congress;

Professor Warren J. Samuels, Department of Economics, Michigan State University;

Professor Carlos Stern, Department of Environmental Economics, University of Connecticut;

G. L. Stevenson, Temporary New York State Charter Commission for New York City;

Professor Lester C. Thurow, Department of Economics, Massachusetts Institute of Technology;

Professor T. Nicolaus Tideman, Department of Economics, Virginia Polytechnic Institute and State University;

Professor James Tobin, Department of Economics, Yale University;

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LAW SCHOOL OF HARVARD UNIVERSITY,
*Cambridge, Mass., May 15, 1974.*

Hon. WARREN G. MAGNUSON,
*U.S. Senate,*
*Washington, D.C.*

DEAR SENATOR MAGNUSON: I am writing this brief letter to affirm my support for any effort to eliminate the percentage depletion allowance from the federal income tax law. I am not specially qualified to predict the economic impact of immediate elimination of the percentage depletion provision or to choose between immediate elimination and elimination phased out over some relatively short period. But I am a student of the legal and practical aspects of the income tax, and it seems perfectly clear to me that the percentage depletion provision has been a very serious source of distortion, inequity and complexity in the income tax law and that its elimination, however effected, will be a very major step in the direction of a fairer and more coherent federal income tax. I am therefore happy to urge support of whatever course of action will be most likely to effect removal of this provision in the reasonably prompt future.

Sincerely yours,

WILLIAM D. ANDREWS,
*Professor of Law.*

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HARVARD UNIVERSITY, PROJECT ON EFFICIENCY OF DECISION MAKING IN ECONOMIC SYSTEMS,
*Cambridge, Mass., May 30, 1974.*

Hon. WARREN G. MAGNUSON,
*Senate Office Building,*
*Washington, D.C.*

DEAR SENATOR MAGNUSON: I strongly urge your support of H.R.8217. I believe the time has certainly come that the Government should stop subsidizing the production of oil through oil depletion allowances. If we are to have a viable approach to energy, it will have to be based on reducing our demand, and surely one of the first steps in this is that the price of oil to the consumer reflect fully all the costs of production. The present situation, apart from its aspects of unjust enrichment, certainly produces inefficiency in the use of oil directly and indirectly.

Sincerely yours,

KENNETH J. ARROW,
*Professor of Economics.*

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DATA RESOURCES, INC.,
*Lexington, Mass., May 16, 1974.*

Senator WARREN S. MAGNUSON,
*U.S. Senate,*
*Washington, D.C.*

DEAR SENATOR MAGNUSON: This is in reply to the proposed legislation to terminate the depletion allowance for the oil industry. My reaction is as follows:

Whatever the historical merits of the depletion allowance may have been in stimulating the development of reserves of oil, the changed energy picture has made the depletion allowance obsolete. The foreign price of oil is now so high that the market price of oil provides a far stronger incentive to the development of additional reserves than any tax incentives such as the depletion allowance could provide. Also, the short term profits of the oil industry are so great that some increased taxation of the industry is a matter of equity. So long as the tax increase is not too steep, the incentive to develop our energy resources will be left very adequate.

It has always been my feeling that the depletion allowance has been a political albatross around the neck of the industry. So long as the public relations goals of the oil industry were the preservation of the depletion allowance, it enjoyed little credibility on other issues with the public. I am sure this was a factor in our stumbling into the energy crisis.

The economic questions to a sudden and complete termination of the depletion allowances are these:

1. Will there be particular hardship cases where a company's financial situation would be disastrously affected in the short run? I am sure the staff of the Joint Committee on Internal Revenue Taxation would be able to identify these cases and would be able to devise some special provisions in the legislation.

2. Would the termination of the depletion allowance tilt the balance of incentives toward foreign oil development as opposed to domestic? The tax credit on foreign income taxes as well as the accounting possibilities open to multi-national companies have long provided tax incentives for foreign exploration that were far greater than the incentives available within the United States. If no other changes are made in the tax treatment of oil beyond the termination of the depletion allowance, there is a very real possibility that we would be reinforcing this unfortunate situation. Thus, the termination of the depletion allowance has to be assessed in the context of the total tax treatment of oil and of the other policy changes in this field.

Subject to the successful resolution of these questions, I favor the termination of the depletion allowance. It would be a sigficant step toward a tax system that treats different industries equally, and would shift the incentive for investment in exploration and development where it belongs—toward a good rate of return earned in the market place.

Sincerely,

OTTO ECKSTEIN.

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PUBLIC INTEREST ECONOMICS CENTER,
*Washington, D.C., May 21, 1974.*

Hon. WARREN G. MAGNUSON,
*U.S. Senate,*
*Washington, D.C.*

DEAR SENATOR MAGNUSON: I congratulate you and Senators Jackson and Ribicoff for sponsoring legislation that could repeal immediately the percentage depletion allowance for oil companies. Your measure will be much more effective in alleviating one of the long-run causes of our energy problems and in reducing the inequities in the tax system, than would the alternative legislation that provides for gradual phasing out of this particular tax subsidy. The phasing out legislation would have no effect on the huge 1974 profits on the oil companies and, with its offsetting provisions, would be ineffective and generally inimical to the public interest.

This amendment, like the Green amendment, which the House Democratic Caucus has voted to send to the floor, is compatible with the position advocated in the PIE–C statement sent you on February 11 of this year, on taxation of the mineral extractive industries. That statement was endorsed by 58 economists from all parts of the United States, including three of the nation's Nobel laureates in economics; it also advocated removal of the special treatment of foreign royalty payments and excise taxes, and opposed the proposed combination of a "temporary" excess profits tax with a special investment tax credit. An extra copy of that statement is enclosed. PIE–C also supported the Green amendment in the House of Representatives (copy of letter enclosed).

I hope that the Senate will take advantage of this opportunity to make a significant reduction in the inequitable tax advantages

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*Affiliations are indicated for purposes of identification only.

of the oil companies. I would be glad to talk about helping to develop and support further legislation encompassing the foreign tax credits and intangible drilling allowances as well.

Sincerely yours,

ALLEN R. FERGUSON, *President.*

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PHILADELPHIA, PA.,
*May 13, 1974.*

Hon. WARREN G. MAGNUSON,
*U.S. Senate,*
*Washington, D.C.*
Att'n: Mr. Nick Miller.

DEAR SENATOR MAGNUSON: I am writing to indicate my strong endorsement of your proposed effort to seek the immediate repeal of the percentage depletion allowance for oil and gas. Further hearings on the subject are unnecessary. All that needs to be said has been, time and time again.

The case for repeal is clear. Further delay works substantial injustice.

Sincerely,

BERNARD WOLFMAN.

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GEORGETOWN UNIVERSITY,
*Washington, D.C., May 30, 1974.*

Senator WARREN MAGNUSON,
*Old Senate Office Building,*
*Washington, D.C.*

DEAR SENATOR: As a research economist in the area of taxation of the energy industry and as a former tax policy official (Director, Office of Tax Analysis, Office of the Secretary of the Treasury), I wish to commend you for the introduction of legislation to bring about the immediate elimination of percentage depletion.

This is, in fact, a modest reduction in the tax benefits extended to the oil and gas industry, the permission to expend intangible drilling expenses on successful wells remains as a highly preferential tax benefit for oil and gas. Furthermore, percentage depletion is a highly discriminatory benefit between energy industries and is an impossible basis for a long run energy policy.

Sincerely,

GERARD M. BRANNON.

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GEORGETOWN UNIVERSITY,
*Washington, D.C., May 14, 1974.*

Senator WARREN MAGNUSON,
*Old Senate Office Building,*
*Washington, D.C.*
(Attention of Mr. Elliott Segall).

DEAR SENATOR MAGNUSON: I understand that you plan to introduce as an amendment to an energy bill in the Senate language incorporating the substance of those provisions of the bill recently reported by the Ways and Means Committee of the House removing percentage depletion on oil and gas. Your bill would incorporate some improvements in the Ways and Means bill which will be proposed by Congressman William Green.

I have no useful opinion about the tactical considerations involved in moving the legislation in this way as compared to following the traditional channels of Senate action on the House bill. I do, however, want to applaud your decision to advance the substance of this proposal.

Percentage depletion is a bad tax provision. It provides basically that value added through exploiting our limited natural resources will be taxed less heavily than value added through manufacture. Thus, when oil is selling at $7 a barrel, the percentage depletion tax benefit is worth as much as $1.30 additional price. For oil manufactured from coal and selling at $7 a barrel, the tax benefit is worth about 10 cents. For energy generated from solar heat there is no percentage depletion benefit. For additional investment in equipment or insulation that saves a barrel of oil there is no tax benefit.

This highly discriminatory benefit is surely an insane way to deal with an energy crisis.

There may have been a shadow of justification for percentage depletion when U.S. policy was directed at protecting the high cost U.S. oil industry from foreign price competition. In the last year, however, we have seen the foreign oil price jump to previously unheard of levels such that U.S. energy producers are enjoying windfall profits. It is appropriate in this circumstance for the U.S. price to rise. We want to exploit every U.S. energy source that can deliver oil at less than the import price; and we want a higher price for energy to discourage U.S. consumption of energy. The proper U.S. policy is:

To remove Treasury support for the oil industry;

Permit oil and other energy producers to get their incentives in the market place;

Tax the profits of energy producers; and

Use the increased revenues to reduce the taxes paid by consumers.

When a tax provision is long in the tax law, it will have lead to additional supply in the affected industries and its sudden removal could impose losses on producers who expanded in reliance upon it. In the present circumstance, however, the tripling of the world oil price is a far greater benefit to producers than percentage depletion so percentage depletion should be removed in full, effective for all of 1974.

You should not be concerned about the effect of this action on investment in the energy industries. In our capitalist system, profitable industries will expand even without the need of an implicit subsidy provided by less than normal taxes on windfall profits. Actually, failure to repeal percentage depletion fully and immediately will serve to finance the expansion of existing large oil companies in proportion to their share of the windfall profits. This can only serve to reduce competition in the energy industries.

Neither should you be concerned by the complaints that this repeal will hurt "independents." The independent producers in the oil industry, which includes firms with sales up to $50 million, will, like other firms, be enjoying windfall profits and are not about to go out of business.

The Ways and Means Committee bill, even with the Green amendment, is still a very generous bill to the oil industry. It leaves untouched the existing provisions for the deduction of intangible drilling expenses on successful wells, a capital cost recovery system which is far more generous than that extended to other firms.

Sincerely,

GERARD M. BRANNON.

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[TELEGRAM]

BETHEL, VT.

Senator MAGNUSON,
*Washington, D.C.:*

Please add our strong support to Magnuson depletion amendment. Clearly called for on efficiency and equity grounds.

RICHARD A. MUSGRAVE and PEGGY MUSGRAVE,
*Harvard University.*

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WELLESLEY COLLEGE,
*Wellesley, Mass., June 4, 1974.*

Hon. WARREN MAGNUSON,
*Senate Office Building,*
*Washington, D.C.*

DEAR SENATOR MAGNUSON: I write to support the amendment to HR 8217 that you, Senator Javits, and Senator Jackson have submitted (number 1326), calling for immediate repeal of the oil depletion allowance retroactive to January 1, 1974.

For use in helping young people learn economic analysis I have used the oil depletion allowance as an example of inequitable taxation and misguided efforts to provide business with incentives for capital investment. Now that the current energy crisis has made the repeal of this provision politically more feasible than ever before, I hope very much that a piece of economic good sense can be achieved. In particular the argument that repeal will have adverse effects on exploration and, therefore, the increase of oil reserves will be diminished should be seen for the red herring it is. Other areas in our tax structure provide evidence that a threat to profits, as to individual income, is as likely to induce greater effort and greater initiative as less. It is also true of course that our domestic oil supply currently makes up the overwhelming fraction of the total and therefore the repeal of this allowance will have little impact on consumer prices. I am sending a copy of this letter to Senators Kennedy and Brooke who represent me from Massachusetts.

With every good wish—

Sincerely,

CAROLYN SHAW BELL,
*Katharine Coman Professor of Economics.*

Mr. MAGNUSON. Mr. President, I wish to quote two recent statements which reinforce the opinions expressed in these letters. The first is by Mr. Fred Hartley, president of the Union Oil Co. He told a California State legislative committee on crude oil pricing:

I think the incentive is currently greater than required, and that the oil company profits . . . —our company included—verify that.

He added that, since new oil prices have risen so far, profits have risen more than needed as an incentive for more exploration.

Secretary of the Treasury William Simon testified before the Senate Finance Committee 1 week ago that:

I am not saying that, just because of the capital intensity of this industry, as many studies have stated, these Consumers have grown increasingly more frustrated as oil industry profits skyrocket. Energy supplies grow short, and the oil subsidy burden on the common taxpayer increases. Repeal of the depletion allowance, effective January 1, 1974, will yield $8 billion more revenues by 1980 than the Ways and Means "oil tax reform" bill. This money is readily available for redistribution for hard-pressed taxpayers.

The time to act is now. The choice is simple. Does the Senate wish to maintain unconscionably high windfall profits for big oil, or does the Senate wish to provide relief to the ordinary working man?

The PRESIDING OFFICER. Who yields time?

Mr. FANNIN. Mr. President, I suggest the absence of a quorum.

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

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## NATIONAL PROGRAM OF BIOMEDICAL RESEARCH

Mr. ROBERT C. BYRD. Mr. President, it is my understanding that the conference papers on H.R. 7724, to amend the Public Health Service Act to establish a national program of biomedical research, fellowships, traineeships, and training to assure the continued excel-

lence of biomedical research in the United States, and for other purposes, have been lost.

I send to the desk a concurrent resolution and ask for its immediate consideration.

The PRESIDING OFFICER. The concurrent resolution will be stated.

The assistant legislative clerk read as follows:

S. CON. RES. 94

*Resolved by the Senate (the House of Representatives concurring)*, That the Secretary of the Senate and the Clerk of the House of Representatives are authorized and directed to prepare and sign official duplicates of the conference papers of the bill (H.R. 7724) to amend the Public Health Service Act to establish a national program of biomedical research, fellowships, traineeships, and training to assure the continued excellence of biomedical research in the United States, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the concurrent resolution?

There being no objection, the concurrent resolution (S. Con. Res. 94) was considered and agreed to.

## QUORUM CALL

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The 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. (Mr. BENNETT). Without objection, it is so ordered.

## RENEGOTIATION AMENDMENTS OF 1974

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of Calendar No. 898, H.R. 14833, an act to extend the Renegotiation Act, and that the unfinished business be laid aside temporarily and remain in a temporarily laid aside status until the disposition of the Renegotiation Act or until the close of business today, whichever is the earlier.

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

The bill will be stated by title.

The assistant legislative clerk read as follows:

A bill (H.R. 14833) to extend the Renegotiation Act of 1951 for eighteen months.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

The PRESIDING OFFICER. On this bill, there is a limitation of 3 hours of general debate, with 30 minutes on each amendment.

Mr. ROBERT C. BYRD. Mr. President, who has control of the time for general debate? Mr. LONG, Mr. BENNETT, and Mr. PROXMIRE, I believe.

The PRESIDING OFFICER. Senator PROXMIRE, Senator LONG, and Senator BENNETT.

Mr. ROBERT C. BYRD. I thank the Chair.

Mr. President, I suggest the absence of a quorum. I ask unanimous consent that the time not be charged against either side.

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

The clerk will call the roll.

The second 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 the consideration of H.R. 14833, a bill to extend the Renegotiation Act, including votes thereon, the following staff members of the Committee on Finance have the privilege of the floor:

Michael Stern, Robert Willan, William Morris, Joe Humphreys, William Galvin, Jay Constantine, Jim Mongan, and Karen Nelson.

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

Mr. LONG. I ask unanimous consent that the following staff members of the Joint Tax Committee also have the privilige of the floor:

Dr. Laurence Woodworth, Leon Klud, Bobby Shapiro, and John King.

Mr. President, in the absence of legislation, the Renegotiation Act will expire on June 30, 1974. The bill reported by the Committee on Finance, H.R. 14833, extends the act for an additional 18 months, or until December 31, 1975. The bill makes no other amendments to the act. This is identical to the House-passed bill.

Let me give a brief summary of the renegotiation process before discussing the reasons for the 18-month extension of the Renegotiation Act. The purpose of renegotiation is to eliminate excessive profits on military and space-related Government contracts. The act authorizes the Renegotiation Board to review the total profit derived by a contractor during a fiscal year from all of his renegotiable contracts and subcontracts in order to determine whether or not the profit is excessive. The Board is empowered to eliminate those profits found to be excessive in accordance with certain factors set forth in the statute. Thus, renegotiation is determined not with respect to individual contracts but with respect to all renegotiable contracts and subcontracts during a year.

Contractors with renegotiable sales in excess of the $1 million statutory minimum for a year must file a report with the Renegotiation Board. Renegotiable sales are those with the Department of Defense, the Departments of the Army, Navy and Air Force, the Maritime Administration, the Federal Maritime Board, the General Services Administration, the National Aeronautics and Space Administration, the Federal Aviation Administration, and the Atomic Energy Commission. Various types of contracts are exempt from renegotiation, some on a mandatory basis such as those for standard commercial articles and those with State or local governments. In addition, the Board has discretion to exempt certain types of contracts, such as those outside the United States and where profits can be determined with reasonable certainty when the contract price is established.

Mr. President, as I indicated previously, the Renegotiation Act would expire as of June 30, 1974, without further congressional action. The Committee on Finance is aware that a number of recommendations have been made to amend the Renegotiation Act.

I would like to point out, however, the action taken by Congress at the last extension of the Renegotiation Act in 1973.

At the time, both the House Committee on Ways and Means and the Senate Committee on Finance recommended a 2-year extension of the act, with a study of the renegotiation process to be made by the staffs of the Renegotiation Board and the Joint Committee on Internal Revenue Taxation. The study was to include a review and analysis of the three congressionally sponsored reports: the House Committee on Government Operations report, the report of the Commission on Government Procurement, and the GAO report. It was contemplated that a comprehensive study of these and other recommendations would be completed in sufficient time to allow congressional review prior to the expiration of the act in June 1975. However, the 1973 bill, H.R. 7445, was amended on the Senate floor to extend the act for only 1 year. This amendment was accepted in conference and approved by both the House and the Senate. Thus, the time for the study was significantly reduced.

In addition, the staff of the Renegotiation Board was unable to go on record until just recently in any official discussion of the specific recommendations contained in the aforementioned reports because of disapproval by the Office of Management and Budget of many of the Board's responses to the various recommendations and the OMB delay in finally granting approval to what the Board ultimately recommended to the Congress. Faced with no combined report by the staffs of the Board and the Joint Committee in sufficient time before the June 30, 1974, expiration date, the staff of the Joint Committee published a preliminary report independently of the staff of the Renegotiation Board. This report presented a summary analysis of the renegotiation process and of the various recommendations made in the three reports.

Since there was not sufficient time to complete the comprehensive study as contemplated by the Committee on Finance last year, the committee agreed with the House that the Renegotiation Act should be extended this time through the end of the first session of the next Congress in order for the study to be completed by the Joint Committee staff. The Committee on Finance expects the Joint Committee staff study to be completed well before the end of 1975, so that there will be sufficient time for a comprehensive review of the entire re-

negotiation process at that time. The 18-month period was selected instead of a 2-year extension as recommended by the Board so that the committee would make its substantive review prior to the end of the first session of the 94th Congress.

In addition, it is expected that within the next 18 months the backlog of renegotiation cases resulting from Vietnam-related procedure will be largely eliminated. For example, the Board reports that the bulk of the excessive profit determinations made during the first 9 months of fiscal year 1974 were applicable to contractor fiscal years 1967–1969.

For the above reasons, Mr. President, the Committee on Finance has requested that the staff of the Joint Committee on Internal Revenue Taxation complete its study on the renegotiation process. The staff of the Joint Committee is to continue their consultation with the Renegotiation Board staff, and make a final report in time for hearings to be held well before the expiration of the act, as extended by the bill.

At the same time, the Renegotiation Board is requested to report its legislative recommendations early in 1975 to give sufficient time for them to be considered by the Joint Committee staff prior to the hearings. The Board is further requested to continue its review of the statutory factors used in determining excessive profits in order to clarify the application of the factors in different cases. The committee believes that this is very important in considering further legislative changes.

Although the Renegotiation Board made several recommendations to the Congress, the Committee on Finance agreed with the House that it would be better to consider these proposals at the time the committee makes its comprehensive review of the entire renegotiation process next year.

Mr. President, the bill, H.R. 14833, was reported without objection by the Committee on Finance, and I urge its passage by the Senate.

Mr. President, while we are waiting for Senators to offer their amendments on this measure, the Senator from Virginia wishes to make a statement, and I ask unanimous consent that I may yield to him, without prejudicing my rights to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Virginia is recognized.

Mr. HARRY F. BYRD, JR. I thank the Senator from Louisiana.

## EXPORT-IMPORT BANK

Mr. HARRY F. BYRD, JR. Mr. President, I understand that in the next day or so a resolution will be presented to the Senate to extend the Export-Import Bank for 30 days. The authorization expires on June 30, and the proposal will be to extend it for 30 days. At the end of that time, as I understand it, a new Export-Import Bank Act will be presented to the Senate.

In order to expedite the consideration of the 30-day resolution, I hope that whoever manages this matter will bring to the Senate a letter from the Export-Import Bank stating that no additional loans will be made to the Soviet Union during that 30-day period. Many of us have been concerned about the large number of loans, the tremendous amounts of tax funds, that have been made available to the Soviet Union.

This has been done in defiance of legislation which already has passed the House of Representatives and is now before the Committee on Finance.

Mr. President, it seems to me that if the Senate is being asked and if Congress is being asked to extend for 30 days the life of the Export-Import Bank so that the new legislation can be considered at the end of that time, then the Bank should be willing to give a letter to Congress stating that no additional funds will be made available to the Soviet Union until Congress has an opportunity to consider the full extension of the Bank Act.

In the interest of time I hope that whoever is handling this legislation will contact the Export-Import Bank and arrange for such a communication to be sent to the manager of the bill who, in turn, could read it on the floor of the Senate.

I thank the Senator from Louisiana for yielding.

## RENEGOTIATION AMENDMENTS OF 1974

The Senate continued with the consideration of the bill (H.R. 14833) to extend the Renegotiation Act of 1951 for 18 months.

Mr. LONG. Mr. President, I know that amendments have been proposed by the Senator from Ohio (Mr. TAFT), the Senator from Minnesota (Mr. MONDALE), and the Senator from Connecticut (Mr. RIBICOFF). I do not intend to resist these amendments; in fact, I wish to support them.

Mr. President, on behalf of the Senator from Ohio (Mr. TAFT), I ask that his amendment be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Louisiana (Mr. LONG), for Mr. Taft, proposes an amendment as follows:

At the end of the bill insert the following new section:

SEC. —. Section 1631 of the Social Security Act is amended by adding the following at the end thereof:

"Reimbursement to States for Interim Assistance Payments (g)(1) Notwithstanding subsection (d)(1) and subsection (b) as it relates to the payment of less than the correct amount of benefits, the Secretary may upon written authorization by an individual, withhold benefits due with respect to that individual and may pay to a State (or political subdivision thereof as may be agreed to by the Secretary and the State) from the benefits withheld an amount sufficient to reimburse the State (or political subdivision thereof) for interim assistance furnished on behalf of the individual by the State (or political subdivision thereof).

"(2) For purposes of this subsection, the term benefits means supplemental security income benefits under this title and any State supplementary payments under Section 1616 or under Section 212 of P.L. 98–66 which the Secretary makes on behalf of a State (or political subdivision thereof) that the Secretary has determined to be due with respect to the individual at the time the Secretary makes the first payment of benefits. A cash advance made pursuant to Section 1631(a)(4)(A) shall not be considered as the first payment of benefits for purposes of the preceding sentence.

"(3) For purposes of this subsection, the term interim assistance means assistance financed from State or local funds and furnished for meeting basic needs during the period, beginning with the month in which the individual filed an application for benefits (as defined in paragraph (2)), for which he was eligible for such benefits.

"(4) In order for a State to receive reimbursement under the provision of paragraph (1), the State shall have in effect an agreement with the Secretary which shall provide—

"(i) that if the Secretary makes payment to the State (or subdivision of the State as provided for under the agreement) in reimbursement for interim assistance (as defined in paragraph (3)) for any individual in an amount greater than the reimbursable amount authorized by paragraph (1), the State (or subdivision of the State as provided for under the agreement) shall pay to the individual the balance of such payment in excess of the reimbursable amount as expeditiously as possible, but in any event within ten working days or a shorter period specified in the agreement; and

"(ii) such other rules as the Secretary finds necessary to achieve efficient and effective administration of this provision and to carry out the purposes of the program established by this title, including protection of hearing rights for any individual aggrieved by action taken by the State (or subdivision of the State as provided for under the agreement) pursuant to this subsection.

"(5) The provisions of subsection (c) shall not be applicable to any disagreement concerning payment by the Secretary to a State pursuant to the preceding provisions of this subsection nor the amount retained by the State (or subdivision of the State as provided for under an agreement under paragraph (4)).

"(6) The provisions of this subsection shall expire on June 30, 1975. At least sixty (60) days prior to such expiration date, the Secretary shall submit to Congress a report assessing the effects of actions taken pursuant to this subsection, including the adequacy of interim assistance provided and the efficiency and effectiveness of administration of such provisions. Such report may include such recommendations as the Secretary deems appropriate."

Mr. LONG. Mr. President, when an aged, blind, or disabled individual applies to the Social Security Administration for supplemental security income (SSI) benefits, a certain amount of time is needed for that Agency to determine his eligibility and process his claim to payment. While this processing is going on, several States have provided interim payments to meet the basic needs of aged, blind, and disabled persons until their SSI checks start coming. Present law, however, does not provide for reimbursing the States for these interim payments even though the State payment would have been unnecessary if the SSI claim had been processed sooner. The amendment would authorize the Social Security Administration, upon authorization by the individual, to withhold from his first SSI check an amount sufficient to reimburse the State for any

interim payments it may have made to him in lieu of SSI benefits for which he was eligible but which had not yet been processed. No additional cost over present law would be involved. The amendment is temporary, expiring on June 30, 1975.

Mr. President, this amendment is meritorious, and the Committee on Finance would have taken care of the item had it been brought before the committee.

I ask that the amendment be agreed to on behalf of the Senator from Ohio.

Mr. TAFT. Mr. President, I am extremely pleased that the distinguished chairman has seen fit to support and accept my amendment. It should provide relief for hundreds of thousands of our aged, blind, and disabled citizens without increasing Federal income supplementation costs. I hope and trust that the House of Representatives will agree to allow this to happen.

As the chairman has explained, my amendment would allow the Federal Government to reimburse States and local governments for emergency assistance which they provide aged, blind, and disabled individuals waiting for determinations of eligibility for supplementary security income.

It has become apparently already after only 6 months that the lack of a viable emergency assistance program is a tragic shortcoming of the new SSI program. While it is true that benefits are paid retroactively once a determination of eligibility is made, this is of little consolation to the potential recipient during the 2 to 5 months that he sometimes must wait for a determination. The food bills, medical bills, and other necessary expenses will not wait for the Social Security Administration to make its determination.

Tragically, the delays generally have been the longest when our disabled citizens are involved. They may receive immediate assistance which continues for 3 months if they are determined presumptively disabled. However, this determination is made only under extremely limited circumstances, such as cases of double amputees, paraplegics, or those who are obviously blind. Other "presumptively eligible" citizens may receive only a one-time advance of $100, which is available only upon determinations that they face financial emergencies.

The Social Security Administration has made the argument that State and local governments should administer any programs of emergency advances.

However, these governments are understandably reluctant to do so since they cannot be assured of being reimbursed by the SSI recipient once the retroactive payment of SSI benefits has been made. As a result, in many States and areas the emergency assistance programs are extremely inadequate.

My amendment would allow the Federal Government to reimburse State and local governments for emergency assistance payments to an SSI recipient, by deducting those payments from the recipient's retroactive SSI payment. Protections are included to insure that the SSI recipient participates in this arrangement on a voluntary basis and is paid any SSI owed retroactively to him within 10 working days of its receipt by a State or local government. A June 30, 1975, expiration date is included so that while adopting my arrangement to provide immediate relief, Congress will continue to evaluate the Federal role in providing this type of assistance. To facilitate this end, the Government would be required to report on the effectiveness of this legislation and make recommendations concerning it 60 days prior to its expiration date.

This amendment is the result of hard work on the part of administration and American Public Welfare Association staff officials. I believe that it will address the problem in a manner which is satisfactory enough to all concerned so that it can be enacted promptly. The administration of emergency advances will remain at least for now a State or local function, but those governments will now have assured reimbursement for advances to persons eligible for SSI. As a result, the governments will be able to offer much expanded emergency assistance programs with minimized financial risk. Most importantly, many more SSI beneficiaries will be able to receive assistance immediately upon application for SSI.

An extra 2 or 3 months without Government assistance can mean the severest hardship to some of our elderly, blind, and disabled citizens. By adopting my amendment we can prevent many such cases, without even spending much money for a change. I can see no excuse for inaction.

Mr. President, on June 3 I introduced an amendment to the debt limit bill which would prevent some SSI recipients from being cut off food stamps in a discriminatory manner on June 30. My two amendments deal with problems related to the SSI program which must be straightened out immediately, and I am delighted that Congress has now passed a bill which would accomplish the purpose of my debt limit amendment. Several other problems have developed in this program and I am now considering legislation to deal with them.

In the meantime, however, I hope that the Congress will not fail to take final action upon this amendment. The Senate's action today is a fine start.

The PRESIDING OFFICER. Does the Senator yield back his time?

Mr. LONG. I yield back my time.

The PRESIDING OFFICER. All time is yielded back. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. RIBICOFF. Mr. President, I send to the desk an amendment and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD.

The amendment ordered to be printed in the RECORD is as follows:

At the end of the bill, add the following new sections:

SEC. —. The last sentence of section 203(e)(2) of the Federal-State Extended Unemployment Compensation Act of 1970 (as added by section 20 of Public Law 93-233 and amended by section 2 of Public Law 93-256) is further amended by striking out "1974" and inserting in lieu thereof "1975".

SEC. —. Section 204(b) of the Emergency Unemployment Compensation Act of 1971 is amended by striking out "903(b)(3)" and inserting in lieu thereof "905(d)".

Mr. RIBICOFF. Mr. President, this amendment would extend the life of the extended benefits under the unemployment insurance program. This program provides an additional 13 weeks of unemployment benefits over and above the 26 weeks of benefits paid under the regular program.

When the extended benefits program was enacted into law back in 1970, there were two requirements for eligibility. First, the State's insured unemployment had to be at 4 percent. And, second, unemployment had to be rising at 20 percent over the previous 2 years. At a time of increasing unemployment, most States could participate because their unemployment was rising at the required 20 percent.

In the last year, however, unemployment has leveled off—often, as in the case of Connecticut, at a relatively high level.

In order to allow States to continue to participate in the extended benefits program, Congress has temporarily waived the 20-percent requirement, most recently in March of 1974 for a 3-month period. As of June 30, 1974, however, no State will be allowed to continue in the extended program unless it meets the 20-percent requirement. My proposal waives the 20-percent requirement for an additional year.

At the present time the States of California, Delaware, Maine, Massachusetts, Michigan, Minnesota, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Vermont, and Washington are paying benefits under the extended program. Connecticut has been eligible to pay entended benefits since late February, but the State legislature has failed to enact the enabling legislation necessary to permit an additional 13 weeks of benefits.

If my proposal is adopted, the following States will become eligible for an additional 13 weeks of benefits:

Alaska, California, Connecticut, Delaware, Hawaii, Idaho, Maine, Massachusetts, Michigan, Minnesota, Montana, Nevada, New Jersey, New Mexico, New York, North Dakota, Oregon, Pennsylvania, Puerto Rico, Rhode Island, Utah, Vermont, Washington, and West Virginia.

It is time to extend the requirement that unemployment be rising at 20 percent. My bill allows States to change their laws so that unemployed workers can receive the additional 13 weeks of benefits without regard to any 20-percent provision.

In Connecticut it is imperative that additional assistance to unemployed

workers be provided. In mid-April Connecticut unemployment was estimated at 82,000 or 5.8 percent as compared with 79,100 or 5.7 percent in March. While many of these unemployed workers are receiving unemployment benefits over 10,000 of them exhausted their 26 weeks of benefits between November of 1973 and February of 1974.

Workers who exhaust their 26 weeks of benefits and still have no jobs will have no place to go except on welfare unless my legislation is enacted. We must provide help for workers and their families who are temporarily out of work. My bill provides that help.

Mr. President, this matter has been discussed with the Labor Department. I have a letter addressed to Chairman LONG indicating that the administration accepts the 1-year extension. I have discussed this with the chairman and, as I understand it, having cleared it with the administration, he is willing to accept it.

Mr. LONG. Mr. President, I ask unanimous consent to have printed in the RECORD a copy of a letter from the Department of Labor which, in effect, states that the administration favors the amendment.

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

U.S. DEPARTMENT OF LABOR,
*Washington, D.C., June 25, 1974.*

Hon. RUSSELL B. LONG,
*Chairman, Committee on Finance, U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: As you know, section 2 of Public Law 93-256 suspended for a period of 3 months the "120 percent factor" in the State "on" and "off" indicators of the Federal-State extended unemployment benefits program. This factor requires that extended benefits are not payable in a State unless the rates of insured unemployment are at least 20 percent higher than they had been in the prior 2 years. The suspensions enacted by Congress have allowed a State to participate voluntarily in the program without regard to this factor, as long as insured unemployment in the State is sufficiently high. The present temporary suspension will expire with respect to weeks of unemployment which begin after July 1, 1974.

There appears to be general agreement that the 120 percent factor has not operated as intended, and, but for the temporary waiver enacted by the Congress on four occasions, would have resulted in extended benefits being unavailable in States with very high rates of insured unemployment, because such rates, high as they were, were not at least 20 percent higher than they had been in the prior 2 years.

At the same time, we do not believe that a permanent suspension of the 120 percent factor or its repeal is an adequate solution to questions of unemployment insurance duration. Permanent suspension or repeal without dealing with the problems with which the 120 percent factor was originally intended to deal would merely create other inequities and imbalances in the system.

A full study of duration issues, including the adequacy of the existing trigger mechanism, is clearly necessary and such a study is now underway in the Department of Labor.

In order to allow time for such a study and appropriate Congressional consideration, we would not object at this time to another temporary extension of the option to disregard the 120 percent factor provided that such extension is accompanied by a provision amending section 204(b) of the Emergency Unemployment Compensation Act to substitute a reference to section 905(d) of the Social Security Act for the reference to 903(b)(3). Advances from the Treasury which were made to pay the cost of emergency benefits would thus be repayable in the same manner as advances for the present extended benefits program. Thus, these advances would be repayable from Federal Unemployment Tax Act funds rather than Reed Act funds.

To avoid the necessity for additional interim extensions, we would not object to providing the States the option to waive the 120 percent factor with respect to weeks of unemployment beginning before July 1, 1975.

The Office of Management and Budget advises that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

PETER J. BRENNAN,
*Secretary of Labor.*

Mr. LONG. Mr. President, I have no objection to the amendment.

The PRESIDING OFFICER. Do Senators yield back their time?

Mr. LONG. I yield back my time.

Mr. RIBICOFF. I yield back my time.

The PRESIDING OFFICER. All time is yielded back. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. LONG. Mr. President, on behalf of the Senator from Minnesota (Mr. MONDALE) I send to the desk an amendment.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceed to read the amendment.

Mr. LONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD.

The amendment ordered to be printed in the RECORD is as follows:

At the end of the bill, add the following new section:

Sec. —. (a) Section 1611 of the Social Security Act (as enacted by section 301 of Public Law 92-603 and as in effect on July 1, 1974) is amended—

(1) in subsection (a)(1)(A), by inserting "(or, if greater, the amount determined under section 1617)" immediately after "$1,752";

(2) in subsection (a)(2)(A), by inserting "(or, if greater, the amount determined under section 1617)" immediately after "$2,628";

(3) in subsection (b)(1), by inserting "(or, if greater, the amount determined under section 1617)" immediately after "$1,752"; and

(4) in subsection (b)(2), by inserting "(or, if greater, the amount determined under section 1617)" immediately after "$2,628".

(b) Part A of title XVI of the Social Security Act (as enacted by section 301 of Public Law 92-603) is amended by adding at the end thereof the following new section:

"COST-OF-LIVING ADJUSTMENTS IN BENEFITS

"SEC. 1617. (a) Whenever the Secretary, pursuant to section 215(i) makes a determination that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall determine and publish in the Federal Register (together with, and at the same time, as the material required by section 215(i)(2)(D) to be published therein by reason of such determination) the supplemental security benefit rate (as determined under subsection (b)) which shall be effective for the period beginning with the month following the first month that the increase (if any) in benefits payable under title II becomes effective under section 215(i) by reason of such determination by the Secretary.

"(b)(1) As used in this section, the term 'supplemental security benefit rate' means whichever of the following is the greater—

"(A) the dollar amounts (namely, $1,752 and $2,628, referred to in sections 1611(a)(1)(A), 1611(a)(2)(A), 1611(b)(1), and 1611(b)(2)), or

"(B) the dollar amounts (referred to in such sections) which were in effect immediately prior to the most recent increase under this section.

"(2) The supplemental security benefit rate which shall be effective by reason of an increase brought about by the application of subsection (a) shall be such rate, as in effect immediately prior to such increase, plus a per centum thereof equal to the per centum of increase in benefits payable under title II brought about pursuant to section 215(i).".

(c) Section 211(a)(1)(A) of Public Law 93-66 (as in effect on July 1, 1974) is amended by striking "$876" and inserting in lieu thereof "an amount equal to 50 per centum of the amount specified in section 1611 (a)(1)(A)".

(d) Title XVI of the Social Security Act is further amended by adding immediately after section 1617 (as added by subsection (b)) the following new section:

"OPERATION OF STATE SUPPLEMENTAL PROGRAMS

"SEC. 1618. (a) In order for any State (other than the Commonwealth of Puerto Rico, Guam, or the Virgin Islands) which has at any time after December 1973 had in effect a program of supplementation payments described in section 1616 (a) to be eligible for payments pursuant to title XIX, with respect to expenditures for any calendar quarter which beings—

"(1) after June 30, 1975, or, if later,

"(2) after the calendar quarter in which supplementation payments are first made under such program, such State must have in effect an agreement with the Secretary whereby the State will—

"(3) continue to operate such program,

"(4) maintain, under such program, a level of benefits which (prior to application of the provisions of paragraph (5)) is not lower than the level of benefits under the program for the first month that the program was in effect, or (if later) January 1974, and

"(5) in determining eligibility for and the amount of payment to which any applicant or recipient is entitled under the program disregard an amount of the income, including income in the form of benefits payable under section 1611, of such applicant or recipient equal to the amount, if any, by which

"(A) the aggregate amount of the increases which have occurred in the level of supplemental security benefits payable under this title as a result of cost-of-living adjustments under section 1617 (as determined under regulations of the Secretary) since the first month with respect to which payments were made under the State program of supplementation, exceeds

"(B) the aggregate amount of the increases over the level specified in paragraph (4) which have occurred in the level of benefits under such State program.

"(b) The Secretary, in determining for purposes of subsection (a) the level of benefits provided under a State supplementation program and the aggregate amount of any increases in such level, shall (after reviewing the program as it affects the various classes and categories of beneficiaries covered

thereunder) consider the program as it affects the vast majority of beneficiaries; and the Secretary shall not determine that a State has failed to meet the requirements imposed by paragraph (4) or (5) of such subsection solely because its supplementation program does not meet in one or more respects or in the case of one or more classes or categories of beneficiaries, such requirements, if the Secretary finds that the level of benefits provided under such program to the beneficiaries thereunder, when such beneficiaries are viewed as a single group, is not significantly lower than the level which would obtain if such requirements were fully met in every respect and in the case of each and every class or category of beneficiaries."

(e) Section 212(a)(3)(C)(i) of Public Law 93-66 is amended by inserting "(except that, there shall not be counted so much of any such benefit for any month as is attributable to any increase made in the level of supplemental security income benefits pursuant to section 1617 of such Act)" immediately after "Social Security Act".

(f) The limitation imposed by section 401(a) of the Social Security Amendments of 1972 on the amount payable to the Secretary of Health, Education, and Welfare by a State pursuant to its agreement or agreements under section 1616 of the Social Security Act shall be applied without regard to paragraph (2) of such section in the case of an amount equal to one-half of so much of the expenditures under the agreement or agreements as are necessary in order to enable the State to meet the requirements imposed by section 1618 of the Social Security Act or to meet the requirement imposed by the amendment made by subsection (e) of this section.

Amend the title of the bill so as to read as follows: "An Act to amend Public Law 93-233 to extend for an additional twelve months (until July 1, 1975) the eligibility of supplemental security income recipients for food stamps, and for other purposes."

Mr. LONG. Mr. President, present law provides for automatic increases in social security benefits if the cost of living has increased at least 3 percent during the prior year. Under the Mondale amendment. Federal SSI benefits for the aged, blind, and disabled would be increased by the same percentage and at the same time as social security benefits whenever there is an automatic cost-of-living increase in social security benefits. In addition, each State would have to raise the level of income assurance which it has established for aged, blind, and disabled persons by the dollar amount of the automatic cost of living increase in the Federal SSI level. Based on the current size of the SSI rolls and assuming a 10 percent annual rate of inflation in 1974, it is estimated that the cost of automatically increasing Federal SSI benefits would be roughly $300 million in fiscal year 1976—the first year the proposal would be effective. In most States, the requirement that the increase be passed along to recipients would involve no substantial increase in the amount of benefits being paid by a State. In eight States—California, Hawaii, Massachusetts, Nevada, New Jersey, New York, Rhode Island, and Wisconsin—there would be an absolute cost to the States. The additional costs in these States resulting from the amendment would be shared evenly by the Federal Government, $75 million, and the States, $75 million.

Mr. MONDALE subsequently said: Mr. President, I offer this amendment on behalf of myself and my colleague from Minnesota (Mr. HUMPHREY).

Mr. President, as every American knows, these are times of intolerable inflation. In the last year alone, the Consumer Price Index rose by 10.2 percent. All Americans are suffering under this burden. But those who suffer most are the aged poor, the blind, and the disabled who must struggle to live on fixed incomes which do not grow as the economy expands.

No national commitment is more fundamental to the character of this Nation than our promise to help these citizens toward a decent retirement.

And in the fall of 1972, we made major strides toward realizing this commitment. The Social Security Amendments of 1972 provided for automatic cost-of-living increases in the social security program. And these amendments provided for replacing the old and complex program of aid to the aged, blind, and disabled with the new SSI program—a Federal guaranteed minimum income for the aged, blind, and disabled.

At present the SSI program, which went into effect last January 1, provides a nationwide minimum income of $140 a month for aged, blind, and disabled Americans.

This amount will increase to $146 on July 1. This is by no means generous or even adequate. And in a majority of States, supplementation of this basic Federal payment by the States is essential if the program is to work fairly.

Unfortunately, the law which established the SSI program does not provide for automatic cost-of-living increases. This means that when cost-of-living increases take place under the Social Security Act, SSI payments are reduced by the same dollar amount. Elderly Americans who are poor are effectively deprived of the cost-of-living increases provided under the Social Security Act. This is a form of unjustifiable cruelty which we cannot tolerate.

But simply providing for automatic cost-of-living increases in the SSI program is not enough.

In January of this year there were approximately 3 million SSI recipients throughout the Nation. And of these, nearly half were receiving supplementary payments from State government. Under current law, Federal cost-of-living increases are not "passed through" to these recipients of combined Federal-State assistance. Instead, the increased Federal payments may be retained by State government and used for any purpose whatsoever. The two SSI increases enacted to date—one which took effect January 1 and one which will take effect July 1—have in effect resulted in adding hundreds of millions of dollars to the general revenues of State government. With respect to those aged, blind and disabled persons receiving State supplementary payments, they have not in most cases led to cost-of-living increases as the Congress intended.

And there is a third problem. The medicaid program provides medical care for low-income persons including the aged, blind and disabled. Yet in many States, a small increase in social security income can render a recipient totally ineligible for the medicaid program—leaving that person far worse off in real terms than before the increase.

Mr. President, the amendments which I propose today would address these three key problems:

By proposing cost-of-living increases in the SSI program to accompany such increases under the social security program, my amendment would help assure that social security increases are "passed through" to the aged, blind and disabled;

By requiring States which supplement to pass these increases through to SSI recipients receiving supplemental payments, my amendment would assure that the benefit of Federal cost-of-living increases is given to the aged, blind, and disabled and not to treasuries of State government; and

By assuring simultaneous cost-of-living increases in both SSI and social security, my amendment assures that Social Security cost-of-living increases will not render the aged, blind and disabled ineligible for the medicaid program.

Mr. President, in his economic message the President recommended cost-of-living increases in the SSI program. The staff of the Finance Committee, assuming 10 percent inflation over the course of the next year, has estimated that the cost of this provision would amount to $300 million in fiscal year 1976. In most States, the additional requirement to pass through the cost-of-living increase would not result in substantial additional expenditures. The States would be asked not to retain the Federal cost-of-living increase in their own treasuries.

In eight States—California, Hawaii, Massachusetts, Nevada, New Jersey, New York, Rhode Island, and Wisconsin—there would be an additional cost. These States have entered into an agreement with the Federal Government under which, in return for State payment to the Federal Government of its full 1972 cost of assistance, the Federal Government assumes full responsibility for any increase in costs due to increased caseload. Under present law, cost-of-living increases in these States are wholly a State responsibility. In these States, our amendment imposes the new requirement that States increase their payment to the aged, blind and disabled by the amount of any Federal cost-of-living increase in the SSI program. In addition, our amendment provides for Federal reimbursement of one-half of these additional costs. Federal cost of this provision in fiscal year 1976 has been estimated to be $75 million.

Mr. President, I deeply regret that these "passthrough" provisions cannot be made applicable to the Federal SSI and social security increases which will take place on July 1. I would emphasize that it is within the power—and I believe it is the responsibility—of every State to provide a cost-of-living benefit to their aged, blind and disabled citizens. I hope that they will do so.

And I also deeply regret that the

amendments which I proposed and which the Senate adopted in 1972—amendments which would have prevented this problem from ever arising—were rejected by the House. I am hopeful that the House and the Senate will join now to assure at least this minimum protection for the future to the elderly poor, the blind, and the disabled.

Mr. LONG. Mr. President, in my opinion, this amendment is meritorious. I know that it is surprised, at least in part, by the administration. Certainly the part which has the major cost effect, providing for automatic cost of living increases, is favored by the administration.

Therefore, I believe the amendment should be agreed to.

The PRESIDING OFFICER. Do Senators yield back their time?

Mr. LONG. I yield back my time.

Mr. JAVITS. Mr. President, will the Senator yield, first?

Mr. LONG. I yield.

Mr. JAVITS. Mr. President, I wish to express my gratification at the way in which the unemployment situation which we face is being accommodated. Twenty-four States are currently eligible for the extended benefits program. In my State alone, almost a quarter of a million workers are concerned.

Mr. President, I think it would be important, and I do not know whether the Senator from Louisiana has done so or not, to have printed in the RECORD the letter from the Secretary which gives support to what we are doing today. Has the Senator placed that letter in the RECORD?

Mr. LONG. Yes. It has been printed in the RECORD.

Mr. JAVITS. I thank the Senator.

I also wish to thank the Senator from Louisiana for the consideration which has gone on for a long time in the enactment of short extensions and now an extension for 1 year which is more commendable with respect to the unemployment situation we have.

This amendment would continue for 1 year the waiver of the unrealistic requirement that in order to trigger into the extended benefits program a State's insured unemployment rate must not only equal or exceed 4 percent, but must also be 20 percent higher than that State's rate for the comparable month of the preceding 2 years. This amendment is similar to amendments which the Senator from Connecticut and I have offered several times before, and which have been enacted into law on a temporary basis four times in the past 2 years.

Because of the current waiver, the following 24 States are currently eligible for the extended benefits program:

Alaska, California, Connecticut, Delaware, Hawaii, Idaho, Maine, Massachusetts, Michigan, Minnesota, Montana, Nevada, New Jersey, New Mexico, New York, North Dakota, Oregon, Pennsylvania, Puerto Rico, Rhode Island, Utah, Vermont, Washington, West Virginia.

Without this amendment, only Michigan and Delaware of the 13 States currently paying extended benefits, and none of the 11 States currently eligible to pay benefits, but not doing so, would maintain their eligibility for the program after June 30.

According to the most recent Labor Department estimates furnished to me, if this amendment is enacted into law, about 1,400,000 workers who would otherwise exhaust their unemployment benefits during the 1-year term of this amendment could become eligible to receive 13 additional weeks of compensation. The actual number of beneficiaries would depend on how many States decide to participate in the extended benefits program under this amendment.

These workers must not be denied critically important benefits merely because these States have experienced chronically high unemployment rates. Indeed, it makes little difference to the individual unemployed worker searching for an adequate job whether or not the current unemployment rate in his State is 20 percent higher than the rate in 1 or 2 of the preceding years. This amendment is particularly important now that we see the national unemployment rate rising again from already unacceptably high levels.

This matter first came before the Senate in the fall of 1972. At that time, the Senate passed an amendment similar to the provisions of the amendment we are introducing today. That provision was weakened and made temporary by the House-Senate conference. When that conference report was brought to the floor of the Senate, the Senator from California (Mr. TUNNEY) and I expressed our concern about the need for enacting legislation to aid the States which had triggered out of the extended benefits program. At that time, the chairman of the House Ways and Means Committee, and the chairman of the Senate Finance Committee assured us on the floor of the House and Senate, respectively, that if, during the winter of 1972–73 the insured unemployment rate was over the 4-percent level in those States that would have benefited from the amendment we were then offering, but were not helped by the amendment adopted by the conferees, they would sympathetically consider legislation along the lines of our amendment.

Mr. President, I ask unanimous consent that excerpts from the CONGRESSIONAL RECORD of October 18, 1972 containing those statements which I have referred to by the chairman of the House Ways and Means Committee and the chairman of the Senate Finance Committee be printed in the RECORD at this point in my remarks: CONGRESSIONAL RECORD—House page 37098; CONGRESSIONAL RECORD—Senate page 37319.

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

PUBLIC DEBT LIMITATION—CONFERENCE REPORT

Mr. LONG. Mr. President, I ask that the Chair lay before the Senate the conference report on H.R. 16810.

The PRESIDING OFFICER (Mr. FANNIN) laid before the Senate and the Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 16810) to provide for a temporary increase in the public debt limitation, and to place a limitation on expenditures and net lending for the fiscal year ending June 1973.

Mr. LONG. Mr. President, during the period that has elapsed, while other matters were transpiring, conferences have been held and the situation has been discussed with regard to unemployment insurance. I am aware of the fact that the chairman of the House Ways and Means Committee has assured the Senators from New York and California that in the event the uninsured unemployment rate in January 1973 in those States should exceed 4 percent—and I would assume the same thing would be true of other urbanized States—and this becomes a problem, the chairman of that committee would propose to offer and support legislation to bring them under the Federal extended unemployment provisions contained on this debt ceiling conference report.

The Senate position, of course, would have brought them into it under the legislation that we sent them, and as far as the Senator from Louisiana is concerned, assuming that he is appointed chairman of the committee at that time, or even if he is not and is the ranking member, he would expect to use his best efforts to see to it that if that type of eventuality should develop, and some feel that it might, those States will receive prompt consideration.

Such a resolution must originate in the House of Representatives. They must send us a bill to afford us an opportunity to act. But I want to assure the Senators from those two States that if this situation should develop, and the House should send us legislation so that we would have the opportunity to act, they would have complete cooperation from the Senator from Louisiana in seeing that it was acted upon promptly.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. JAVITS. Mr. President, I greatly appreciate that, I have every feeling that if we are in that situation, relief will be available to us.

I would bear in mind the injunction of the chairman of the Finance Committee that if such a bill comes over here, I would hope a lot of nongermane amendments are not hung on it, and we would certainly expect to cooperate with him on that, as would, I know, the majority leader. The minority leader has given the same assurance, as has the distinguished chairman of the Committee on Commerce (Mr. MAGNUSON).

May I say, too, that in discussing the matter in the House of Representatives, which Representative MILLS did publicly while the Senator from California and I were there, making, generally speaking, in his own words the same statement Representative MILLS emphasized the fact that under these circumstances, with 4 percent uninsured unemployment, he would consider the so-called 120 percent figure unduly restrictive and would look with great sympathy upon such legislation.

May I have an expression of opinion from the Senator from Louisiana about these things?

Mr. LONG. Mr. President, as far as the Senator from Louisiana is concerned, our bill so indicated. I supported our bill, and if I had had the opportunity to bring in a conference report that included New York, I would certainly have asked that this 130-percent trigger should be deleted, or at least modified so that it would not prevent benefits in the fashion it does. If the House will help to solve that problem, the Senator can be sure that, so far as the Senator from Louisiana is concerned, I will help to work it out.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. BENNETT. The Senator from Utah just wants to make the record clear that while the chairman has referred to New York and California, this will apply to any State in the Union, if the system adopted should trigger the benefits for that State, and it will not be legislation intended chiefly for the big States.

Mr. LONG. Yes.

The reason why the record might appear to indicate that such a measure is intended for the good of two States is that New York and California would have the greatest number of people involved. But other States are also involved.

Mr. President, I ask unanimous consent to have printed in the RECORD a chart showing the numbers of people and the cost of the Senate bill. This is what we will look at again next year if the situation should require.

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

TABLE 1.—STATES AFFECTED BY SENATE BILL

| State | Number of beneficiaries | Costs (Federal and State share, in thousands) |
|---|---|---|
| Alaska | 1,100– 1,500 | $600– $800 |
| Arkansas | 2,750 | 1,000 |
| California | 140,000–150,000 | 80,000– 90,000 |
| Hawaii [1] | 1,500– 2,500 | 1,000– 1,500 |
| Idaho | 1,500 | 350– 400 |
| Kentucky | 5,000 | 2,000 |
| Louisiana | 6,000– 6,500 | 2,400– 2,700 |
| Maine | 7,000– 8,000 | 3,000– 3,500 |
| Massachusetts | 49,000 | 30,000 |
| Michigan | 71,400– 97,300 | 40,700– 55,400 |
| Minnesota | 11,000– 13,000 | 4,900– 5,500 |
| Montana | 1,700 | 435 |
| Nevada | 6,700 | 3,600 |
| New Jersey | 80,000–120,000 | 48,000– 72,000 |
| New Mexico | 400– 600 | 200– 300 |
| New York | 170,000–200,000 | 80,000–120,000 |
| North Dakota | 1,200 | 860 |
| Ohio | 12,000– 20,000 | 8,000– 10,000 |
| Oregon | 11,000– 14,000 | 4,000– 5,000 |
| Pennsylvania [1] | 22,000– 37,600 | 11,000– 18,800 |
| Rhode Island | 8,000– 9,000 | 5,000 |
| Utah | 1,900 | 850 |
| Vermont [1] | 3,600 | 2,000– 3,000 |
| Washington | 42,000 | 17,000 |
| West Virginia | 1,500 | 450 |
| Total (about) | 650,000–800,000 | 350,000–450,000 |

[1] Currently paying (these are costs after State drops below 120 percent).

Note: Assumes some economic improvement between Oct. 1, 1972, and July 1, 1973, and does not take account of emergency benefits payable under Public Law 91–373. Estimates prepared in consultation with the States. Federal share of cost would be half of total shown.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. MAGNUSON. What the Senator from Utah has said is correct. This whole problem has to be a piece of permanent legislation. I think that is what we are shaping up to next year, so that it will apply to any State where there is serious unemployment; because it does not make any difference what State you are in—if you are out of work, you are out of work.

I appreciate the problem, and I want to reiterate that I appreciate the problem that the members of the committee had on this matter with the House. I must say to the Senator from New York and the Senator from California that no one will be stronger in cosponsoring some legislation of this type and helping out than will the Senator from Washington next year.

Mr. JAVITS. If the Senator will yield, I appreciate that, I want to say again that, notwithstanding that the Senator from Washington was included and we were excluded, he fought very hard for us, without any reservation whatever, and that the Senator from Louisiana was willing to exclude his own State, which is going pretty far. I certainly do not think that is necessary.

Mr. President, just to complete the record, I ask unanimous consent to have printed in the RECORD a list showing the States which are covered and those which are not covered.

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

Oct. 1, 1972–June 30, 1973—States affected (these costs are only the costs of this amendment and do not include the costs of the EB program under Public Law 91–373 as currently operative.)

[States not included in the conference report are in parentheses]

| State | Number of beneficiaries | Costs (Federal and State share) (thousands) |
|---|---|---|
| Alaska | 1,100–1,500 | $600–$800 |
| (Arkansas) | 2,750 | 1,000 |
| (California) | 140,000–150,000 | 80,000–90,000 |
| (Hawaii) [1] | 1,500–2,500 | 1,000–1,500 |
| (Idaho) | 1,500 | 350–400 |
| (Kentucky) | 5,000 | 2,000 |
| (Louisiana) | 6,000–6,500 | 2,400–2,700 |
| Maine | 7,000–8,000 | 3,000–3,500 |
| Massachusetts | 49,300 | 30,000 |
| Michigan | 71,400–97,300 | 40,700–55,400 |
| (Minnesota) | 11,000–13,000 | 4,900–5,500 |
| (Montana) | 1,700 | 435 |
| Nevada | 6,700 | 3,600 |
| New Jersey | 80,000–120,000 | 48,000–72,000 |
| (New Mexico) | 400–600 | 200–300 |
| (New York) | 170,000–200,000 | 80,000–120,000 |
| (Ohio) | 12,000–20,000 | 8,000–10,000 |
| (Oregon) | 11,000–14,000 | 4,000–5,000 |
| (Pennsylvania) [1] | 22,000–37,600 | 11,000–18,800 |
| Puerto Rico | [2] | [2] |
| Rhode Island | 8,000–9,000 | 5,000 |
| (Utah) | 1,900 | 850 |
| Vermont [1] | 3,600 | 2,000–3,000 |
| Washington | 42,000 | 17,000 |
| (West Virginia) | 1,500 | 450 |
| (North Dakota) | 1,200 | 860 |
| (Connecticut) | [2] | [2] |
| Total | 658,550–797,150 | 347,345–450,095 |

[1] Currently paying (these are costs after State drops below 120 percent).

[2] Not available.

Note: Assumes some economic improvement between Oct. 1, 1972, and July 1, 1973. Estimates prepared in consultation with the States. Federal share of cost would be half of total shown.

Mr. JAVITS. I point out that the list of States not covered includes such sparsely populated States as Montana and Louisiana, which happen to be the States of the majority leader and the chairman, as well as Hawaii, Idaho, Arkansas, North Dakota, and so forth. I thank the Senator from Utah for making that clear. There is no exclusivity about this.

Mr. LONG. Mr. President, I ask unanimous consent to have printed in the RECORD a list of the States that would benefit under what we were able to work out with the House.

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

STATES AFFECTED BY THE PROVISION AGREED TO BY THE CONFEREES

| States | Estimated maximum number of beneficiaries | Estimated maximum total additional costs (thousands) |
|---|---|---|
| Alaska | 1,100–1,500 | $600–$800 |
| Maine | 7,000–8,000 | 3,000–3,500 |
| Massachusetts | 49,300 | 30,000 |
| Michigan | 71,400–97,300 | 40,700–55,400 |
| Nevada | 6,700 | 3,600 |
| New Jersey | 80,000–120,000 | 48,000–72,000 |
| Puerto Rico | 33,000–42,000 | 9,000–11,000 |
| Rhode Island | 8,000–9,000 | 5,000 |
| Vermont | 3,600 | 2,000–3,000 |
| Washington | 42,000 | 17,000 |
| Total | 300,000–380,000 | 160,900–202,100 |
| Federal share | | 80,000–101,000 |

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The conference report was agreed to.

Mr. LONG. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. BENNETT. I move to lay that motion on the table.

The motion to lay on the table was agreed.

## FUTURE REVIEW OF UNEMPLOYMENT SITUATION

(Mr. MILLS of Arkansas asked and was given permission to address the House for 1 minute.)

Mr. MILLS of Arkansas. Mr. Speaker, we are in the closing hours, we hope, of a sine die adjournment, but there is a problem existing in the other body, and I am in hopes that I can clarify the situation to the satisfaction of those who see a problem existing and want to do something about it at this time. I just discussed the matter with two of our very distinguished friends from the other body, Senator JAVITS from the State of New York and Senator TUNNEY from the State of California. They are very concerned that there will be a greater degree of unemployment within their States some time during the early part of next year, and that if the House had accepted the Senate amendment on unemployment compensation, their States would have been protected, should that situation develop.

Now they will not be protected, as they know, in the event that there is a rise in unemployment in their States under the language that the House has agreed to that is pending before the Senate.

Naturally, fulfilling their responsibilities as Senators to their constituents, they are most anxious that something be done about it. I want to say this about unemployment in New York State and California, or anywhere else.

If we do have a rise in the rate of unemployment within these States or any other States, I want them to know and I want the Speaker to know and I want the public to know that I would be as much interested in trying to do something for the benefit of those people who are unemployed as they or any other Senators would be interested.

If this situation comes about, I think the proper way to do it is to go back to the temporary unemployment compensation program, as my good friend, the gentleman from Wisconsin, earlier suggested, and determine some more satisfactory method of triggering this program into existence and triggering it off, so that we do not have the anomalous situation existing of high levels of unemployment within a State for 3 or 4 years, but because the unemployment rate is not 120 percent greater than it was in the 2 preceding years even, though it may be at an 8-percent rate, because it was at an 8-percent rate in those years, this programs triggers off. To me that is not right.

I would want to assure them that if they have any fears about my own position, they need not have any fears about my desire to take care of the situation.

I wanted to say that while they were present here on the floor.

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

Mr. MILLS of Arkansas. I yield to the gentleman from Texas.

Mr. PICKLE. The gentleman is mindful of the colloquy we had earlier today. I was not here when the bill, H.R. 16810, was presented to the House. If I had been I would have objected to the manner in which it was presented.

I will say to the gentleman, since I see two of our distinguished colleagues from the other body here in the Chamber, I want the gentleman from Arkansas to know if the bill, H.R. 16810, comes back in a different form from what it was when it passed this House, I will make it quite plain I will object.

Mr. MILLS of Arkansas. I understand the gentleman's position. He has made it clear

before. I am not talking about that. I am talking about the situation next year. I know the gentleman from Texas would be as sympathetic in that case as I am.

Mr. PICKLE. Yes. The present Magnuson bill for States with chronic unemployment will not expire until actually the end of the year, and with the benefits we have been able to give they will go to early spring. But unless we include some other States, some 15 more than we did this afternoon, I will object.

Mr. MILLS of Arkansas. What we are talking about is the situation the Ways and Means Committee will look into and try to provide a remedy that will take care of that, and I am satisfied my friend, the gentleman from Texas, would want to do that next year if this develops.

I am sorry my friend, the gentleman from Wisconsin, will not be here with us, but what we are talking about is exactly in line with what he suggested earlier in the day: Let us go back and review the formula we have and make it work more satisfactorily than the present formula works.

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REVIEW OF UNEMPLOYMENT

Mr. MILLS of Arkansas. Mr. Speaker, I ask unanimous consent for 1 additional minute.

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

There was no objection.

Mr. MILLS of Arkansas. One point which I overlooked in connection with my statement of a few moments ago: It is not 4 percent within the State that I am suggesting the change in, but 4 percent of covered employees made unemployed. If that figure is reached in a State or exceeded in a State, but I say at the same time it must be qualified by the 120-percent, then the program is not working properly.

Then the formula is not working.

Mr. BYRNES of Wisconsin. The insured unemployed?

Mr. MILLS of Arkansas. That is correct, 4 percent of the insured who are unemployed is what I am talking about.

Whenever that figure happens to be reached by a State, I want that State to get the benefit of this rule.

Mr. JAVITS. Mr. President, that commitment was given to myself and the Senator from California (Mr. TUNNEY) in October 1972. Since that time, it has become clear that remedial action must be taken in order to permit the Federal-State extended unemployment compensation program to function as Congress intended. That need is highlighted by the string of temporary amendments to which Congress agreed in an attempt to remedy the defects in the trigger mechanism on a temporary basis in June 1973, December 1973, and March 1974.

Mr. President, it is imperative that the Congress seek a permanent solution to the inadequacies of the trigger requirements of the extended benefits program. The amendment that I am cosponsoring with the Senator from Connecticut would provide a 1-year period during which it would be my hope that we would be able to fashion a permanent remedy to this difficult problem.

In the meantime, however, unless this amendment is approved, hundreds of thousands of workers who have exhausted their benefits will be required to seek welfare or to take jobs far beneath their potential earnings and capabilities.

The precise cost of this amendment is difficult to determine since each State will be free to decide for itself whether to take advantage of its provisions. In the case of those States which do take advantage of the amendment, the cost of the program is borne 50 percent by the State unemployment insurance trust fund, and 50 percent by the Federal trust fund established for that purpose. It should be emphasized that the source of these trust funds is entirely based on revenue generated by payroll taxes. No general revenue financing is involved. This amendment would merely permit the States to exercise their discretion as to whether or not they choose to participate in the program.

Mr. President, I ask unanimous consent that I may have included at the end of my remarks a chart prepared by the Labor Department showing the number of potential beneficiaries of this amendment on a State-by-State basis, and the potential maximum cost of this amendment also on a State-by-State basis, together with a copy of a letter cosigned by myself and 19 other Senators, which was sent to the chairman of the Finance Committee urging acceptance of this amendment.

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

ESTIMATED EXTENDED BENEFITS—FISCAL YEAR 1975

[Assumptions: (1) Drop 120 percent trigger criteria; (2) insured unemployment rate equals 3.8 percent; (3) all States affected will pass conforming legislation]

| | Number of beneficiaries | Total costs (millions) |
|---|---|---|
| Alabama | | |
| Alaska | 2,000 | $1.1 |
| Arizona | | |
| Arkansas | 2,800 | 1.4 |
| California | 244,100 | 136.2 |
| Colorado | | |
| Connecticut | 75,000 | 52.4 |
| Delaware | | |
| District of Columbia | | |
| Florida | | |
| Georgia | | |
| Guam | | |
| Hawaii | 3,000 | 2.1 |
| Idaho | 3,100 | 1.0 |
| Illinois | | |
| Indiana | | |
| Iowa | | |
| Kansas | | |
| Kentucky | | |
| Louisiana | | |
| Maine | 19,200 | 7.0 |
| Maryland | | |
| Massachusetts | 122,500 | 79.6 |
| Michigan | 143,200 | 85.9 |
| Minnesota | 12,500 | 4.9 |
| Mississippi | | |
| Missouri | 15,000 | 5.7 |
| Montana | 2,500 | .7 |
| Nebraska | | |
| Nevada | 7,800 | 4.5 |
| New Hampshire | | |
| New Jersey | 167,400 | 101.0 |
| New Mexico | 2,900 | .9 |
| New York | 270,000 | 164.7 |
| North Carolina | | |
| North Dakota | 1,600 | .6 |
| Ohio | | |
| Oklahoma | | |
| Oregon | 21,400 | 10.9 |
| Pennsylvania | 55,600 | 35.0 |
| Puerto Rico | 106,400 | 26.8 |
| Rhode Island | 21,200 | 12.0 |
| South Carolina | | |
| South Dakota | | |
| Tennessee | | |
| Texas | | |
| Utah | 1,500 | .5 |
| Vermont | 4,700 | 3.0 |
| Virginia | | |
| Virgin Islands | | |
| Washington | 108,800 | 60.7 |
| West Virginia | 3,700 | 1.4 |
| Wisconsin | | |
| Wyoming | | |
| U.S. total | 1,417,900 | 800.0 |

Note: Costs would be shared 50-50 by States and Federal Government.

Mr. JAVITS. I thank the Senator for yielding.

The PRESIDING OFFICER. Do Senators yield back their time?

Mr. LONG. I yield back my time.

The PRESIDING OFFICER. All time is yielded back. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. LONG. Mr. President, I send to the desk an amendment to be proposed on behalf of the Senator from Utah (Mr. BENNETT), the distinguished occupant of the chair, at this point.

The PRESIDING OFFICER. The clerk will read the amendment.

The assistant legislative clerk read the amendment, as follows:

At the end of the bill insert the following:

To extend for three years the requirement of increased payments to States under medicaid plans for compensation or training of inspectors of long-term care institutions

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 249B of the Social Security Amendments of 1972 is amended by striking out "June 30, 1974" and inserting "June 30, 1977" in lieu thereof.

Mr. LONG. Section 249B of the Social Security Amendments of 1972 authorized 100 percent Federal funding of expenditures under medicaid for training and compensation of inspectors of long-term care institutions between October 1972 and June 1974. Currently there are approximately 2,000 State inspectors.

It is now apparent that this 21-month period of increased Federal support is not enough to assure that States will have the capacity to meet their responsibilities in the area of inspection of long-term care institutions. A great deal remains to be done with skilled nursing facilities. Further, with the recent issuance of standards for intermediate care facilities, the demands on State inspection teams have significantly increased.

Because of the importance of State inspection programs to the health and safety of the thousands of individuals in long-term care institutions and the impetus full Federal funding can have in assuring that sufficient well-trained inspectors are available, the amendment would extend the authority for this full financial support for an additional 3 years. The cost is estimated by the Department at approximately $1 million annually.

Mr. President, I believe that there is no objection to this amendment.

I yield back my time.

The PRESIDING OFFICER. The Chair, as a Senator in charge of time, yields back his remaining time.

The question is on agreeing to the amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. LONG. Mr. President, on behalf of the Senator from Texas (Mr. BENTSEN) I send to the desk an amendment.

The PRESIDING OFFICER. The clerk will read the amendment.

The assistant legislative clerk read the amendment, as follows:

At the end of the bill insert the following:

SEC. . (a) Section 15(c)(2) of Public

Law 93-233 is amended by striking out "December 1, 1974" and inserting in lieu thereof "March 1, 1975" and by striking out "July 1, 1975" and inserting in lieu thereof "March 1, 1976";

(b) Section 15(c)(5) of Public Law 93-233 is amended by striking out "March 1, 1975" and inserting in lieu thereof "June 1, 1975" and by striking out "October 1, 1975" and inserting in lieu thereof "June 1, 1976"; and

(c) Section 15(d) of Public Law 93-233 is amended by striking out "January 1, 1975, except that if the Secretary of Health, Education, and Welfare determines that additional time is required to prepare the report required by subsection (c), he may, by regulation, extend the applicability of the provisions of subsection (a) to cost accounting periods beginning after June 30, 1975" and inserting in lieu thereof "July 1, 1976".

Mr. LONG. Mr. President, section 15 of Public Law 93-233 contained two provisions related to the method of paying for physicians' services in teaching hospitals under the medicare program. First, it deferred, until as late as July 1975, the implementation of the 1972 amendment which provided, in part, that charges would be paid only where a teaching hospital patient is a "private patient." Second, it provided for the Secretary to contract with the National Academy of Sciences to conduct studies concerning appropriate methods of reimbursement under the medicare and medicaid programs for medical services in teaching hospitals, and also the extent to which funds under medicare and medicaid are supporting the training of medical specialties which are in excess supply; how such funds could be used to support more rational distribution of physician manpower, both geographically and by specialty; the extent to which such funds support or encourage teaching programs which tend to disproportionately attract foreign medical graduates; and the existing and appropriate role of using such funds to meet, in whole or in part, the cost of salaries of interns and residents in teaching programs approved under medicare; and to submit its report by July 1, 1975. These two provisions were deemed necessary because of concern about the possible impact of the proposed medicare regulations implementing the 1972 change on teaching hospitals' finances and patient care programs.

The National Academy of Sciences, in planning the studies authorized by section 15 of Public Law 93-233, has concluded that it will not be possible to conduct responsible studies of the scope contemplated within the time constraints that have been prescribed. The National Academy has proposed, and the staff agrees, that the July 1, 1975, deadline for the final reports should be extended to March 1, 1976, so as to afford adequate time to secure and analyze the required data and prepare the necessary reports. In addition, it is recommended that the due date for the interim reports be extended from December 1, 1974, to March 1, 1975. As under Public Law 93-233, the Social Security Administration would have 3 months from the due dates for the interim and final reports to submit its comments on them.

So that the National Academy's findings will be available when the regulations to carry out the 1972 teaching physician amendment are implemented, the effective date for that study is extended by the amendment from July 1, 1975, as provided for in Public Law 93-233, to July 1, 1976.

The PRESIDING OFFICER. Does the Senator yield back his time?

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

The PRESIDING OFFICER. All time has been yielded back.

The question is on agreeing to the amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. LONG. Mr. President, on behalf of the Senator from Nebraska (Mr. CURTIS), I send to the desk an amendment.

The PRESIDING OFFICER. The clerk will read the amendment.

The assistant legislative clerk proceeded to state the amendment.

Mr. LONG. Mr. President, I ask unanimous consent to dispense with the reading of the amendment. I will explain it.

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

The amendment is as follows:

At the end of the bill, insert the following:

That section 1902(a)(14) of the Social Security Act is amended to read as follows:

"(14) effective January 1, 1973, provide that—

"(A) in the case of individuals receiving aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title IV, or who meet the income and resources requirements of the one of such State plans which is appropriate—

"(i) no enrollment fee premium, or similar charge, and no deduction, cost sharing, or similar charge with respect to the care and services listed in clauses (1) through (5) and (7) of section 105(a), will be imposed under the plan, and

"(ii) any deduction, cost sharing, or similar charge imposed under the plan with respect to other care and services will be nominal in amount (as determined in accordance with standards approved by the Secretary and included in the plan), and

"(B) with respect to individuals who are not receiving aid or assistance under any such State plan and who do not meet the income and resources requirements of the one of such State plans which is appropriate or who, after December 31, 1973, are included under the State plan for medical assistance pursuant to section 1902(a)(10)(B) approved under title XIX—

"(i) there may be imposed an enrollment fee, premium, or similar charge which (as determined in accordance with standards prescribed by the Secretary) is related to the individual's income, and

"(ii) any deductible, cost-sharing, or similar charge imposed under the plan will be nominal;".

(b) The amendment made by subsection (a) shall be effective January 1, 1973 (or earlier if the State plan so provided).

Mr. LONG. Mr. President, section 208 of Public Law 92-603 amended title XIX, medicaid, to require States to impose an enrollment fee, or premium, on the medically needy. The medically needy are persons who have too much income to qualify for cash assistance, but not enough to pay for their medical care. At the time of consideration of H.R. 1, the Department estimated that this premium would result in program savings of approximately $55 million. It is now apparent that this savings did not take account of the increased administrative costs that State would face. These offsetting costs could be substantial.

As States have tried to implement this provision, many have found that it is extremely difficult and costly to administer. Medically needy persons typically apply for coverage when they are already facing medical costs and need care. It is difficult to keep track of them and to collect a regular premium payment. Further, at the point when medically needy persons do enter the system, they are often least able to make the premium payment.

This amendment would continue to allow States to impose a premium on the medically needy but it would not require them to do so if they do not believe it is feasible or cost effective. Since they could impose a premium if they believe it will produce a cost savings in the program, the overall cost impact of the amendment is expected to be negligible.

I yield back the remainder of my time.

The PRESIDING OFFICER. All time has been yielded back.

The question is on agreeing to the amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. PROXMIRE. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will read the amendment.

The assistant legislative clerk proceeded to read the amendment.

The PROXMIRE. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 1, lines 5 and 6, strike out "December 31, 1975" and insert in lieu thereof "June 30, 1975."

At the end of the bill add a new section as follows:

SEC. 2. (a) The staff of the Joint Committee on Internal Revenue Taxation shall conduct a comprehensive study and investigation of the operation and effect of the Renegotiation Act of 1951, as amended, with a view to determining whether such Act should be extended beyond June 30, 1975, and, if so, how the administration of such Act can be improved. The Joint Committee staff shall specifically consider whether exemption criteria and the statutory factors for determining excessive profits should be changed to make the Act fairer and more effective and more objective. The Joint Committee staff shall also consider whether the Renegotiation Board should be restructured.

(b) In conducting such study and investigation the staff of the Joint Committee on Internal Revenue Taxation shall consult with the staffs of the Renegotiation Board, the General Accounting Office, the Cost Accounting Standards Board, and the Joint Economic Committee.

(c) The staff of the Joint Committee on Internal Revenue Taxation shall submit the results of its study and investigation to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate on or before May 31, 1975, together with such recommendations as it deems appropriate.

Mr. PROXMIRE. Mr. President, the amendment to the bill to extend the Renegotiation Act which I have offered carries forward what I believe is the intent of the original bill, and I will explain it more fully in a moment.

But first I want to thank the distinguished Senator from Louisiana, the chairman of the Finance Committee, for his efforts over the past many months during which he has been laying the groundwork for a comprehensive reexamination of the renegotiation program. I am grateful for his responsiveness to my requests and for his willingness to consider my suggestions.

The Senate Finance Committee is a busy and highly productive committee with excellent staff resources. It is most encouraging that this committee, together with the House Ways and Means Committee, have undertaken the review called for by the original bill and my amendment.

I also want to express my thanks to the Senator from Louisiana for his cooperation and assistance in the drafting of the amendment and the refinement of its details.

The amendment does three things.

First, it directs the staff of the Joint Committee on Internal Revenue Taxation to conduct a comprehensive study and investigation of the operation and effect of the Renegotiation Act of 1951, as amended. The purpose of the inquiry is to determine whether the act should be extended beyond June 30, 1975, and if so, how the administration of the act can be improved.

The first part of the amendment also sets out some specific guidelines for the study. It calls attention to the exemption criteria in the act, the current statutory factors for determining excessive profits, and the question whether the Renegotiation Board should be restructured.

Second, in the conduct of the study the staff of the Joint Committee on Internal Revenue Taxation is directed to consult with the staffs of the Renegotiation Board, the General Accounting Office, the Cost Accounting Standards Board, and the Joint Economic Committee.

Third, the extension of the act is reduced from 18 months to 12 months. The staff of the Joint Committee on Internal Revenue Taxation is directed to submit the results of its study to the House Committee on Ways and Means and the Senate Finance Committee on or before May 31, 1975, together with whatever recommendations it deems appropriate.

Submission of the staff report on May 31, 1975 will give the House and Senate committees 1 month to conduct hearings and send a bill to the floor, before the June 30, 1975 expiration date.

As I said, the amendment simply carries forward the basic intent of the original bill and the accompanying reports. It is a clarifying amendment, setting forth some specific guidelines for the study and establishing a somewhat tighter schedule.

In setting forth specific guidelines for the study it should be clear that there is no intent to limit the staff of the Joint Committee on Internal Revenue Taxation to the items contained in the amendment. Many questions have been raised about the Renegotiation Act and its enforcement. It is my hope that the staff will look into all of the questions, all of the problems, all of the issues, not just the ones referred to in the amendment or in the remarks made on the Senate floor today.

Of course, the staff must use its discretion so that it does not get bogged down in trivial or incidental matters. I have great confidence in the staff and no doubts that it will do a top rate job. I think it is one of the finest we have in either body of the Congress.

The point I want to emphasize most is that we need a comprehensive, root-and-branch examination of the Renegotiation Act and the Renegotiation Board. I will not try to hide or minimize my disappointment with the Board's work in recent years. A few weeks ago I recommended abolition of the Renegotiation Board along with other agencies which I believe have either outlived their usefulness or are not performing adequately enough to justify continued support.

In the past I have been one of the Renegotiation Board's staunchest supporters. Several years ago I fought successfully to preserve its funds and its personnel. That was during a period when the Board was under the leadership of a chairman, Lawrence Hartwig, who understood that the Board was laboring against a number of obstacles and that it was necessary to remove those obstacles so that the Board could perform effectively.

One of the major obstacles is that the Board is understaffed. Another is that the act is full of loopholes.

I would prefer, given the loopholes in the Renegotiation Act and the attitude of the present Chairman of the Renegotiation Board, that we simply abolish this agency. I say that, not because I believe the renegotiation process is no longer necessary, but because the Renegotiation Board is doing such a poor job.

For years I have been struggling to plug the loopholes in the Renegotiation Act and strengthen the Board. I have had only moderate success. When the administration planned to cut the Board's manpower significantly below the present level of about 200 employees, I intervened directly on its behalf with the Office of Management and Budget. The decision to reduce the manpower level was reversed.

It was difficult for me to understand why the Board's personnel should be cut during the height of the Vietnam war when renegotiable sales were at record heights. If anything, the administration should have beefed up the Board so that it could handle the massive increase in business. I might point out that in 1953, when the Board was dealing with the defense contracts generated by the Korean war, it employed 742 persons.

Today, 20 years later, the Board has 201 persons on its payroll.

Last year the Defense Department awarded $36.9 billion in prime defense contracts. The peak Korean war amount was $43.6 billion. At that time, as I have just pointed out, the Board had 743 employees. How can it do the job it did 20 years ago with less than a third the manpower? Contract awards were somewhat higher then, but they were not that much higher.

If you suspect that it might not be possible for the Board to adequately handle its workload with its limited staff, your suspicions are well founded.

There is no way for the Board to do an adequate job with 201 persons, including secretaries, stenographers and various other nonprofessional workers.

Why, then, does not the Board request more personnel? Why, when it appears before Congress, does it not point out that it needs more people?

The reason is, in my judgment, that the present Chairman of the Board and the majority of its members simply do not care. The present Board appears to have little desire to increase the capabilities and effectiveness of its own operations. This is in marked contrast to previous Boards whose members well understood the obstacles that prevented it from effective renegotiation and what needed to be done to begin removing those obstacles.

There is no way that the Board can adequately perform the role entrusted to it under the present circumstances.

I am chairman of the Appropriations Subcommittee which reviews the Renegotiation Board's budget requests. The more my subcommittee has looked into the operations of the Board the more have I become convinced that the purposes of renegotiation are not being served and will not be served unless the program is reformed.

In this year's hearings, on March 26, 1974, I asked the Chairman of the Board why profits as a return on equity are not considered by the Board. The Chairman replied, and I quote:

> I never heard of such a thing, return on equity.

In another exchange during the hearings I asked the Chairman how the Board justified allowing certain large aerospace companies to retain profits, after renegotiation, ranging from 76 percent of net worth to as high as 431 percent of net worth. The Chairman responded that he did not believe those rates were exceptionally high.

Over 4,000 filings from Government contractors were received by the Board in fiscal 1973. The Board assigns the grand total of 11 persons to review those filings in the Washington, D.C. office. That works out to an average of 2 filing reviews per day per person.

It is on the basis of these cursory reviews at the headquarters level that filings are referred to regional offices for further examination. How can such a reviewing process possibly identify all the companies whose defense profits need to be more closely scrutinized?

Mr. President, I have been trying to suggest that the renegotiation process today is beset with massive problems. Some relate to the statutory basis, some to the small size of the enforcement

staff, some to the attitudes that prevail among the members of the Board.

There is no sense perpetuating the present situation. I agree with the concept of renegotiation. But I am convinced that it is not being properly implemented. The status quo should not be allowed to continue any longer than is necessary.

Finally, I believe a hard look needs to be taken at the structure of the Renegotiation Board. At the present time all the members of the Board are appointed by the President and serve at his pleasure. We must ask ourselves whether this kind of executive agency is best suited to investigate the reasonableness of profits earned on contracts awarded and administered by another executive agency.

In the renegotiation program one executive agency, in effect, has been given the responsibility for investigating another executive agency.

I believe everyone, those who dislike the concept of renegotiation and those who believe it is a good one, should be concerned about the way the Board is presently structured.

What we need, in my judgment, is a Renegotiation Board based on permanent legislation without loopholes, a Board with sufficient independence from the executive branch so that it will not hesitate to vigorously investigate the reasonableness of profits taken on contracts awarded by a large and powerful agency of the executive branch; a Board that will feel free to request additional funds and manpower if it feels they are necessary to more effectively carry out its responsibilities; a Board responsive and accountable to Congress.

If we do not have that kind of a Board then we would just as well do away with the program. There is no sense in kidding ourselves into believing the excessive defense profits problem has been solved. The facts demonstrate that it has not been solved.

Some people argue that we do not have to worry about excessive profits because if there are any they will be recaptured by the Renegotiation Board. I might agree with this argument if I knew that we had an effective, vigorous renegotiation program. At the present time we have a half-hearted program. Its very existence, however, may be lulling many people into thinking that we need not be concerned with procurement policies regarding defense profits.

Several major studies of renegotiation have been concluded in the past few years. All of the studies, including those done by the House Government Operations Committee and the General Accounting Office, identified serious problems and made recommendations for changes. The study we are authorizing today can build on those studies and the work of the Joint Economic Committee, which has also held hearings on this subject.

I am hopeful that at last, by this time next year, we will be in a position to make meaningful changes to improve the effectiveness of the renegotiation program.

I reserve the remainder of my time.

## PRIVILEGE OF THE FLOOR

Mr. PROXMIRE. Mr. President, I ask unanimous consent that Mr. Richard Kaufman of the Joint Economic Committee staff remain on the floor during the remainder of the debate.

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

Mr. LONG. Mr. President, I am persuaded that the Senator has a good point in his amendment. It appears that the intent of Senator PROXMIRE's amendment to H.R. 14833 is similar to that of the Finance Committee; namely, that a comprehensive staff study of the entire renegotiation process be completed as soon as possible, along with thorough hearings by the respective congressional committees.

Although the 18-month extension of the Renegotiation Act as in the committee's bill would give the joint committee staff more time for completion of their study, a 12-month extension as proposed by the Senator PROXMIRE would appear to be feasible. A 12-month extension would coincide with the 2-year extension approved by the Finance Committee during consideration of the 1973 extension, but which was reduced to a 1-year extension. Thus, a 12-month extension now would make a total of 24 months for the study that was started last year by the joint committee staff.

Mr. President, as I understand it, the second part of the Senator's amendment spells out some of the details for the staff study that has been requested by the Finance Committee. This part is acceptable to the Finance Committee, as it puts into legislative language the basic intent of the committee. The joint committee staff will be studying whether the act should be extended, how to improve the administration if it is extended, whether the exemption criteria are appropriate, whether the statutory factors should be modified to make the act more effective and objective, and whether the Board should be restructured, among other areas for study. Some of the other areas for study are listed in the preliminary report of May 14, 1974, of the joint committee staff.

In addition, the joint committee staff will be consulting with the staffs of the Renegotiation Board, the GAO, and the Cost Accounting Standards Board, and will be happy to also consult with the staff of the Joint Economic Committee and other congressional committees having an interest in the subject. The final part of the Senator's amendment requires that the joint committee staff present its findings to the House Ways and Means and Senate Finance Committees on or before May 31, 1975, to give Congress time to review the staff recommendations prior to the June 30 expiration date, per the Senator's amendment.

Mr. President, I see no real objection to the Senator's amendment. It is one that the committee can take to conference.

I shall back the amendment, Mr. President.

I yield back the remainder of my time.

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

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wisconsin (Mr. PROXMIRE).

The amendment was agreed to.

Mr. CURTIS. Mr. President, I send an amendment to the desk and I ask the clerk to state it.

The PRESIDING OFFICER. The clerk will state the amendment.

The assistant legislative clerk proceeded to read the amendment.

Mr. CURTIS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with. My statement will cover the purport of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

At the end of the bill, add the following new section:

SEC. . (a) Section 211(a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"An agreement between an owner or tenant of land and another person under which such other person is to manage and supervise the production of agricultural or horticultural commodities on such land shall not be considered to be an arrangement (described in paragraph (1)(A) of the first sentence of this subsection) which provides for material participation by the owner or tenant in production or management, if under such agreement it is the responsibility and duty of such other person, as the agent of such owner or tenant, to manage and supervise such production (including the selection of the tenants or other personnel whose services will be utilized in such production) without personal participation therein by such owner or tenant, and if, in fact, there is no personal participation by such owner or tenant in such production or management.".

(b) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended by adding at the end thereof the following new paragraph:

"An agreement between an owner or tenant of land and another person under which such other person is to manage and supervise the production of agricultural or horticultural commodities on such land shall not be considered to be an arrangement (described in paragraph (1)(A) of the first sentence of this subsection) which provides for material participation by the owner or tenant in production or management, if under such arrangement it is the responsibility and duty of such other person, as the agent of such owner or tenant, to manage and supervise such production (including the selection of the tenants or other personnel whose services will be utilized in such production) without personal participation therein by such owner or tenant, and if, in fact, there is no personal participation by such owner or tenant in such production or management."

(c) The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1973.

Mr. CURTIS. This amendment is designed to clarify the way in which certain farm rental income is treated for social security purposes. The amendment was approved last November by the Committee on Finance as a part of the bill, H.R. 3153, and was included in that bill as passed by the Senate.

Under present law, farm rental income is covered under social security

if the rental arrangement provides that the landowner materially participate in the production of the agricultural or horticultural commodities on his land, and if there is material participation by the landowner. In determining whether the landowner's actions contribute in a material way to the production of the commodities raised on his farm, his own actions plus actions of his agent are considered. Actions by an agent are attributed to the farm landowner, so that if the agent participates in the management and operation of the farm, the farmowner is also deemed to be participating even though he does not personally participate.

A problem has arisen in the case of landowners who enter into an agreement with a professional farm management company or other person who has the responsibility to choose a tenant and to manage and supervise the farm operation. In such a situation, the landowner does not participate in the operation of the farm and views his income as investment income rather than income from farm self-employment.

Accordingly, the amendment provides that in such a situation the landowner would not be considered to participate in the operation of the farm. Therefore, his farm income would not count for social security purposes if he entered into an agreement with another person to manage or supervise the farm operation, including the selection of tenants, when there is in fact no participation on his part.

Also, it would provide that farm income for someone eligible for social security benefits would be regarded as investment income, and not income from participating in farming.

It would be my hope that inasmuch as the committee and the Senate have approved this amendment once before, it might be accepted and taken to conference on this bill.

Mr. LONG. Mr. President, I am prepared to abide by the judgment of the Senate. I have no objection to the amendment.

The PRESIDING OFFICER. Is all remaining time yielded back?

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

Mr. LONG. I yield back my time.

The PRESIDING OFFICER. All remaining time having been yielded back, the question is on agreeing to the amendment of the Senator from Nebraska (Mr. CURTIS).

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendments to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. Do Senators yield back their time on the bill?

Mr. LONG. Mr. President, if there are no further requests for time, I yield back my time.

Mr. MANSFIELD. I yield back the time in opposition.

The PRESIDING OFFICER. All time having been yielded back, the question is, Shall the bill pass?

The bill (H.R. 14833) was passed.

Mr. LONG. Mr. President, I ask unanimous consent that the title of H.R. 14833 be amended so as to read: "An Act to extend the Renegotiation Act of 1951 for 12 months, and for other purposes."

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

Mr. LONG. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. CURTIS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LONG. Mr. President, I ask unanimous consent that the bill (H.R. 14833) be printed with the amendments of the Senate, and that in the engrossment of the amendments of the Senate, the Secretary of the Senate be authorized to make technical and clerical corrections, including section and subsection numbers and paragraph designations.

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

Mr. LONG. Mr. President, I move that the Senate insist on its amendment and request a conference with the House of Representatives 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. LONG, Mr. TALMADGE, Mr. HARTKE, Mr. RIBICOFF, Mr. BENNETT, Mr. CURTIS, and Mr. FANNIN conferees on the part of the Senate.

## EXTENSION OF THE EXPORT ADMINISTRATION ACT OF 1969

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of House Joint Resolution 1057.

The PRESIDING OFFICER. The joint resolution will be stated by title.

The assistant legislative clerk read as follows:

A joint resolution (H.J. Res. 1057) to extend by 30 days the expiration date of the Export Administration Act of 1969.

The PRESIDING OFFICER. Without objection, the joint resolution will be considered as having been read twice by its title, and the Senate will proceed to its immediate consideration.

There being no objection, the Senate proceeded to consider the joint resolution.

Mr. TOWER. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum without the time being charged to either side.

The PRESIDING OFFICER. Without objection——

Mr. TOWER. I withdraw that request.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that there be a limitation of 30 minutes on this measure, to be equally divided between the Senator from Alabama (Mr. SPARKMAN) and the Senator from Texas (Mr. TOWER); that there be a limitation of 90 minutes on an amendment by the Senator from Wisconsin (Mr. PROXMIRE), 60 minutes to be under the control of Mr. PROXMIRE and 30 minutes under the control of Mr. SPARKMAN; and that there be a limitation of 30 minutes on any other amendment, and on any amendment to an amendment, debatable motion, or appeal of 20 minutes, and that the agreement be in the usual form.

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

Mr. TOWER. Mr. President, I reiterate my request that I may suggest the absence of a quorum without the time being charged to either side.

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

Mr. TOWER. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The third assistant legislative clerk proceeded to call the roll.

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

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

## ORDER FOR ADJOURNMENT UNTIL 9:30 A.M.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until the hour of 9:30 a.m. tomorrow.

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. ROBERT C. BYRD. I ask unanimous consent that the 1 hour for debate on the motion to invoke cloture under rule XXII begin at the hour of 12 noon tomorrow.

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

## EXTENSION OF THE EXPORT ADMINISTRATION ACT OF 1969

The Senate continued with the consideration of the joint resolution (H.J. Res. 1057) to extend by 30 days the expiration date of the Export Administration Act of 1969.

Mr. TOWER. Mr. President, I suggest the absence of a quorum, and ask unanimous consent that the time consumed be charged to neither side.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

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

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

Mr. PACKWOOD. Mr. President, I ask unanimous consent that my two staff aides be present on the floor during discussion of the pending bill.

The PRESIDING OFFICER. Will the Senator please name the staff aides?

Mr. PACKWOOD. Ed Kemp and Howard Beazley.

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

What is the pleasure of the Senate?

Mr. PACKWOOD. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Oregon is recognized for 2 minutes.

Mr. PACKWOOD. Mr. President, I simply ask the Senate to extend the Export Control Act without any amendment to it, because we are faced with the possibility that if we come into conflict with the House on any amendments when the act expires on June 30, if the act expires, except under the Trading with the Enemy Act, which is limited to the section under the Petroleum Act, but which would apply to the Petroleum Act, we will have no controls at all and no ability to apply any export controls on any commodities in the United States. We will not be able to apply it to present controls on ferrous scrap iron. It would be unwise at this stage to do anything other than to extend the act for 30 days.

The Banking Committee has been working on this matter extensively. We will be prepared to go, I am sure, within 30 days and have the bill in final form. I see no need for any extraneous amendments to it at this time.

Mr. SPARKMAN. Mr. President, I yield myself 3 minutes.

The PRESIDING OFFICER. The Senator from Alabama is recognized for 3 minutes.

Mr. SPARKMAN. Mr. President, I want to echo what the distinguished Senator from Oregon (Mr. PACKWOOD) has just said. We have been working on legislation that we hope to get before June 30, but we are going into a recess in 2 more days from now. We have got to the point where we know that we can effect the legislation by June 30. The House has already taken note of that fact and has passed a simple extension of it for 30 days without any side dressing at all.

I feel that we should accept the proposal from the House of Representatives and extend it for 30 days, which will give us ample time to take the recess and get back here and hold the hearings and put the measure through in good shape.

Mr. President, that is about my speech.

I yield back any unused time.

The PRESIDING OFFICER. Who yields times?

Mr. PROXMIRE. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk read as follows:

At the end of the joint resolution, add a new section as follows:

SEC. 2. Notwithstanding any other provision of law, no cooperation with any nation or regional defense organization shall be undertaken pursuant to section 54, 57, 64, 82, 91(c), 103, 104(d), 123 or 144 of the Atomic Energy Act of 1954 (42 U.S.C. 2074, 2077, 2094, 2112, 2121(c), 2133, 2134(d), 2153 and 2164) on or after June 1, 1974 until the proposed agreement for cooperation has been submitted to Congress by the President and the Congress has adopted a concurrent resolution stating in substance that it favors the proposed agreement for cooperation.

Mr. PROXMIRE. Mr. President, the amendment I am proposing today would restore congressional authority. It states that before the President can enter into any proposed agreement with any foreign country involving the transfer of nuclear technology, he must first have congressional consent.

It says no more than that. Congress must first vote its approval before U.S. nuclear technology flows to any foreign country.

Under present conditions that is not the situation. In the case of civilian nuclear technology, the United States has entered into agreement with 30 countries without ever once having a vote in the Senate or House on this issue.

We have concluded research and power agreements for the commercial production of electricity with Argentina, Australia, Austria, Brazil, Canada, South Africa, Spain, Sweden, China, Finland, Italy, Japan, Korea, Norway, the Philippines, Switzerland, and Venezuela. We have a strictly power agreement with India.

Research-only agreements have been established with Colombia, Greece, Indonesia, Iran, Ireland, Israel, Portugal, Thailand, Turkey, United Kingdom, and Vietnam.

Not one of these international agreements has been subjected to a vote in the Congress.

This is not to say that there has been no oversight but simply that the full Congress has never had the opportunity to express its opinion of the subject.

AEC ACT OF 1954

Under the 1954 Atomic Energy Act, any proposed agreement for cooperation in civilian technology is submitted by the President to the Joint Committee on Atomic Energy where it is examined and then after 30 days goes into effect.

If the proposed agreement deals with military nuclear technology or restricted data, then the agreement is sent to the full Congress where it rests for 60 days. During this period the only way to overturn the proposed agreement is for both Houses to pass a concurrent resolution stating in substance that it does not favor the idea.

Mr. President, this leaves Congress in an untenable situation. It can easily be seen that a Presidential request to send nuclear weapons to some foreign country might be denied by the House but upheld by the Senater or vice versa. In both cases, the controversial agreements would go into effect.

Of course with regard to civilian technology—and I am not talking about nuclear weapons but civilian technology—as is the case with Egypt and Israel, there need be no vote at all. It is not required under the AEC Act. In fact the Joint Committee can even waive the 30-day requirement and the proposed agreement would go into effect almost immedately.

Such is the state of our congressional responsibility. We are authorizing foreign policy decisions of the greatest importance by a system of inaction. No action by Congress means approval for the presidential initiative. This is not the best way for Congress to monitor and share in such decisions. We should have a vote in the matter every time it comes up. Every Member should be afforded the opportunity to express his position.

My amendment would provide just that assurance of participation.

EXPORT ADMINISTRATION ACT

This amendment is attached to the 30-day extension to the Export Administration Act of 1969. It is not by accident that I have chosen the Export Administration Act or this particular extension.

First, the Export Administration Act controls scarce and critical materials and is directly related to a congressional concern over the export of these materials on foreign policy.

In title 50 section 2401 appendix, Congress stated that the "unrestricted export of materials, information, and technology without regard to whether they make a significant contribution to the military potential of any other nation or nations may adversely affect the national security of the United States."

How far sighted that congressional finding was. With fuel for nuclear power plants in critically short supply at the present the provision of section 2401 appendix seems directly applicable.

That section also states that:

The availability of certain materials at home and abroad varies so that the quantity and composition of United States exports and their distribution among importing countries may affect the welfare of the domestic economy and may have an important bearing upon fulfillment of the foreign policy of the United States.

It is clear, therefore, that the Export Administration Act envisions the type of situation facing us now with the proposed export of nuclear technology to Egypt and Israel. It recognizes this situation not only for its impact on foreign policy but as a question of national security and military policy.

Second, the issue is timely because the Atomic Energy Commission has indicated that our fuel supply is critically short for the out years and that any negotiations might have to be concluded before the end of the fiscal year. Under these conditions, it is imperative that we move quickly to reassert our basic right of review before the momentum of the present negotiations carries the process too far for correction.

It is conceivable and perhaps even likely that this could be done by the end of this fiscal year; that is, that the negotiations could be done by the end of this fiscal year. Under present law, it is very possible that the administration might be able to give approval without any opportunity for Congress to act. That is why I am putting it on this extension bill so that we can act now.

PROLIFERATION—A WORLD RISK

Just why should we be concerned about these agreements? After all, have not 30 countries received aid from the United States without any mishap or violation of safeguards?

The answer has been on the front page of America's newspapers for weeks. Can Congress turn its back on the proliferation of nuclear weaponry throughout the world? Should we idly stand by when the power of control is partially within our hands?

The combination of the unexpected test by India and the recent offer of nuclear powerplants to Egypt and Israel has caused a virtual cascade of potential nuclear powers to either openly or quietly seek out plutonium, and thus nuclear, power for military purposes.

The Shah of Iran reportedly has expressed strong interest in acquiring the bomb only to be denied by his Embassy here in Washington. Various reports also suggest that Pakistan may develop this technology. Even Japan is said to be reconsidering a prompt ratification of the Nonproliferation Treaty.

One after another, there is the possibility that the nuclear-potential states will enter into private agreements with the nuclear states that will result in the extensive proliferation of nuclear weaponry around the world.

Are the safeguards adequate against this kind of determination? Will countries covertly supply nuclear technology in trade for oil or other Earth resources?

Is it so farfetched to think of terrorist groups in the Middle East or elsewhere that will attempt to divert radioactive materials or even with help develop a rudimentary bomb? Who can say for sure?

EXAMPLES OF SAFEGUARD FAILURES

In August 1971, an intruder penetrated past guard towers and fences to enter the grounds of the Vermont Yankee nuclear powerplant at Vernon, Vt. He escaped after wounding a night watchman.

In November 1971, arson caused $5 to $10 million damage at the Indian Point No. 2 plant at Buchanan, N.Y., just prior to its completion. A maintenance employee was accused of the crime.

In February 1973, the Atomic Energy Commission's former top security officer, William T. Riley, was sentenced to 3 years probation. An investigation revealed that Riley had borrowed $239,000 from fellow AEC employees and had failed to repay over $170,000, part of which he used at the race track.

In March 1973, a guerilla band took temporary possession of a nuclear station in Argentina.

In August 1973, 21 dangerous capsules of iodine-131 were stolen from a hospital in Arcadia, Calif.

All but one of these events occurred in the United States, where we have an elaborate system of security. How much more likely and how much more dangerous such events might be if they occurred in foreign countries.

We can have something to say about such awesome problems. We can require that the export of our advanced nuclear technology be brought to a vote in this Chamber, with debate, discussion, and assurance about the safeguards, before they ever go into effect.

Consider for a moment an elementary problem. Let us say that the proposed agreements with Egypt and Israel go into effect, and then the Government of Egypt changes during a coup of some type. Maybe the new government feels no obligation to abide by the spirit or requirements of the U.S. safeguards or that of the International Atomic Energy Agency. What then?

We have a responsibility to think about such questions and to consider the merits carefully for each proposed agreement.

These agreements are beyond the control of Congress, since they are not treaties but have the same power. They are devices that give the President maximum authority and Congress minimum discretion. Of all the military and civilian agreements that have been reached by the United States and foreign countries, the only ones that have been brought to a vote have been with regard to the European Atomic Energy Community, approved by voice vote in 1958, and for the International Atomic Energy Agency, approved in 1957.

The other agreements have seemed to have slipped by without any votes.

Mr. President, I ask unanimous consent that a list of all agreements, their effective dates and termination dates, be printed in the RECORD.

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

(See exhibit 1.)

THE JOINT RESOLUTION—EXTENSION

Mr. PROXMIRE. Mr. President, this amendment refers directly to the Atomic Energy Act of 1954. I do not dispute that.

It is attached to this joint resolution for several reasons.

First, with the negotiations proceeding between the United States, Egypt, and Israel, we have little time to rearrange our procedures. We must act now in order to be prepared to vote on the proposed agreement with Egypt and Israel.

Second, there is some question about the Atomic Energy Commission agreeing to supply fuel for the reactors after June 30, 1974.

Third, the Export Administration Act explicitly refers to situations which affect our national security—and surely proliferation does—and to the export of critical and scarce materials.

Fourth, this amendment will in no way abridge the authority of the Joint Committee on Atomic Energy. I want to emphasize that and call it to the attention of the distinguished Senator from Rhode Island (Mr. PASTORE), who certainly has the respect and admiration of all Members of the Senate.

In fact, the authority of that committee will be enhanced, since all proposed agreements will have to be studied closely by the committee so that the committee can make recommendations to the Senate concerning their appropriateness. And the committee will be able to report directly to the full Senate on their findings.

Fifth, any restraint we can demonstrate to the rest of the world in terms of the export of U.S. technology may serve to cool the flaming ambitions for acquiring nuclear technology. If we move quickly, we may be able to influence other countries to approach this problem with greater study and deliberation.

Sixth, this is a question of basic congressional responsibility that for too long has been dormant. It is time to reassert that right which is ours to jointly determine foreign policy with the executive branch. We have been at the mercy of a powerful executive that finds ways to reach agreements that in effect are treaties but without a corresponding vote in Congress. We must shut the door to this kind of behind-the-scenes arrangements.

For all of these reasons, it is time to give back to this body that which it always had but has seldom exercised—the right to give consent or deny requests from the President that are treaties in nature and ominous in implication.

Mr. President, I ask unanimous consent that several newspaper articles dealing with nuclear proliferation be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 2.)

RADIOACTIVE MATERIALS THREAT

Mr. PROXMIRE. Mr. President, the threat from the transfer of nuclear technology is not limited exclusively to the production of a nuclear bomb. Access to radioactive materials would be just as attractive to certain groups.

For example individuals or groups may attempt to steal radioactive materials for money, political blackmail, or terrorism.

After an extensive review of the problems associated with theft and sabotage of special nuclear materials. Dr. Theodore Taylor, testified to a Senate subcommittee several weeks ago that:

> The frequency and character of nuclear theft attempts in the future is likely to be influenced greatly not only by the nature of physical safeguards against theft, but also by the general political climate and by prevailing attitudes toward violent behavior within societies where opportunities exist for such theft.

Can anyone argue that the general political climate and prevailing attitudes toward violence will improve measurably in the next decade? Will there still be societies that dream of military might and leverage?

But what about the physical safeguards? Just how safe is nuclear materials from theft? Based on two scientific studies by the Atomic Energy Commission and the Ford Foundation energy policy project, the safeguards even in this sophisticated country are "entirely inadequate."

The AEC report was prepared by a team of four outside consultants and one Atomic Energy Commission official.

Their conclusion stated that:

> We feel that the danger is large and growing due to the widespread and increasing dissemination of precise and accurate instructions on how to make simple nuclear

weapons, and due to the increasing professional skills, intelligence networks, finances and levels of armaments of terrorists groups throughout the world. . . . The potential harm to the public from the explosion of an illicitly made nuclear weapon is greater than that from any plausible power plant accident, including one which involves a core meltdown and subsequent breach of containment.

The Ford Foundation report, under the direction of Mason Willrich and Theodore Taylor, is similarly disturbing. Characterizing U.S. safeguards as "incomplete," they concluded that "some basic issues pertaining to physical protection have not yet been resolved."

In many areas, the authors detail security regulations which are vaguely defined, ambiguous and inadequate. For example, there are no regulations requiring the physical protection of less than two kilograms of plutonium, even though a small fraction of that amount is sufficient to make a radiological weapon.

As the number of nuclear powerplants increases, the need for transportation of special nuclear materials increases as well. So do the opportunities for terrorism.

In last Sunday's Washington Post, an article by Thomas O'Toole outlined the concern of the scientific community regarding this growth.

One thing that worries the experts about plutonium is that terrorists or criminals might get their hands on it. They wouldn't even need enough to make a bomb to make impossible ransom demands. The reason is that plutonium in its powdered form is about as poisonous a substance as there is.

The threat of a plutonium smoke bomb tossed into a New York bank might be enough to extort $1 million from the bank. The threat of a plutonium "dispersal device" exploded in the air over San Francisco could be enough to empty the city. Winds could carry plutonium dust for miles, and people might have to stay indoors for days while trained troops wearing gas masks cleaned up the city streets and surrounding countryside.

Mr. President, it is quite clear that our safeguard standards do not even approach the stringent design standards that govern the building of a nuclear reactor. While the probability of a theft may be low, its consequences would be catastrophic.

Mr. President, I ask unanimous consent that a summary of the Willrich and Taylor study be placed in the RECORD along with the article from the Washington Post by Thomas O'Toole.

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

(See exhibits 3 and 4.)

Mr. PROXMIRE. Mr. President, having given this side of the question it is important to note that our agreements have not been subject to circumvention in the past. Our safeguard system is extensive and some think foolproof or nearly so.

I happen to side with the commonsense school which dictates, "where there is a will there is a way"—even if the goal is acquiring nuclear power or radioactive materials.

RADIOACTIVE WASTES

Another area of concern is the management of the radioactive waste products that result from the operation of civilian nuclear powerplants. In the past quarter-century, there have been serious shortcomings in the Atomic Energy Commission effort in this field.

And the problem is growing yearly. Not only are we having problems disposing of our own radioactive wastes but we have agreed to dispose of the wastes from all of the nuclear reactors that we build abroad.

In essence, we are becoming a radioactive dumping ground for the Western world.

Radioactive wastes are already stored by Japan, Canada, and Italy with Egypt and Israel now probably to join the ever-growing list.

Instances of radioactive seepage have crept into the news ever more frequently.

For example, there was the AEC National Reactor Testing Station near Idaho Falls, Idaho, where low-level radioactive wastes were being stored. In October 1968, health authorities discovered that there had been radioactive seepage into the ground water.

Or, what about the Rocky Flats plutonium production plant near Denver, Colo. Here it was discovered that the company had been storing 55-gallon drums of laden oil contaminated with measurable quantities of plutonium outside on pallets. They had been stored there since 1958. Over a decade later as the result of a fire at the plant it was discovered that the drums had corroded and the plutonium had leaked onto the soil, contaminating the area with a radiation level 100 times the worldwide fallout level. Yet no one was aware of it until the investigation after the fire.

Mr. President, I ask unanimous consent that two articles dealing with radioactive waste disposal be printed in the RECORD.

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

(See exhibit 5.)

CONGRESS MUST DECIDE

Mr. PROXMIRE. Mr. President, these points are not made to discredit the AEC or open up old controversies. They are made to show the scope and urgency behind my call for a debate on the issue of providing the rest of the world with nuclear technology, watching a number of countries go nuclear, and allowing the United States to be the dumping ground for the waste products the other countries don't want or we think are too dangerous to dispose of elsewhere.

To return to the main issue, Congress must decide the merits of such disturbing reports by engaging in a debate culminating in a vote each time a proposed agreement is recommended by the President.

I know that there are eloquent and forceful spokesmen on both sides of the issue. My amendment will allow their views to be heard on the floor of the Senate.

That is as it should be.

The specific safeguards to be required by the proposed agreements with Israel and Egypt have not been released to Congress in any detail.

It should be pointed out, however, that the safeguards of the International Atomic Energy Agency (IAEA) when coupled with additional U.S. required safeguards, can be formidable.

The IAEA safeguards include nuclear materials accountancy. This means that the IAEA reviews nuclear facility design, checks records and requires accurate reports of inventories, input, process losses, wastes and shipments of nuclear materials. They also conduct inspections to verify the flow of materials and to insure that the containment and surveillance techniques are working properly.

On top of that the United States may require that any resulting plutonium will be reprocessed in a U.S. plant and that Egypt and Israel will agree not to build such a reprocessing plant.

Briefly it appears that the United States will give Egypt and Israel slightly enriched uranium rods for use in the power reactors. After about 1 year approximately one-third of these rods are removed and placed in a cooling basin where they lose radioactivity and heat. Then they are transferred under water to a huge lead box for transportation to a reprocessing plant probably in the United States.

Extracting plutonium for a bomb normally requires access to such a reprocessing plant. Thus if the United States controls this process, the plutonium will not be retained by Egypt or Israel.

This differs from the Indian situation. The Indians had their own reprocessing plant in operation for 10 years, collecting enough plutonium for several bombs. The Canadians had no control over this reprocessing plant nor did the IAEA.

What I have just recounted is based on discussions with various nuclear experts. I have no doubt that the Joint Committee will present the details of any proposed safeguard system to the Congress and explain the system much more thoroughly than I have. There are many who think that the safeguard system will work extremely well when coupled with bilateral assurances and doublechecks.

Mr. President, the Senator from Rhode Island was occupied at the time I discussed this matter in my speech, but I wish to call attention to the fact that this amendment in no way abridges the authority of the Joint Committee on Atomic Energy. As a matter of fact, the authority of that committee will be enhanced since all proposed agreements will have to be studied closely by the committee since they will have to make recommendation to the Senate, and the committee will have to make a report on their findings.

EXHIBIT 1

INTERNATIONAL AGREEMENTS

BILATERAL AGREEMENTS FOR COOPERATION IN THE CIVIL USES OF ATOMIC ENERGY

Country, scope, effective date, and termination date:

Argentina, Research and Power, July 25, 1969, July 24, 1999.

Australia, Research and Power, May 28, 1957, May 27, 1997.

Austria, Research and Power, Jan. 24, 1970, Jan 23, 2000.

Brazil, Research and Power, Sept. 20, 1972, Sept. 19, 2002.

Canada, Research and Power, July 21, 1955, July 13, 1980.

China, Rep. Research and Power June 22, 1972, June 21, 2002.

Colombia, Research, March 29, 1963, March 28, 1977.
Finland, Research and Power, July 7, 1970, July 6, 2000.
Greece, Research, Aug. 4, 1965, Aug. 3, 1974.
India, Research, Aug. 25, 1963, Oct. 24, 1993.
Indonesia, Research, Sept. 21, 1960, Sept. 20, 1980.
Iran, Research, April 27, 1959, April 26, 1979.
Ireland, Research, July 9, 1958, July 8, 1978.
Israel, Research, July 12, 1955, April 11, 1975.
Italy, Research and Power, April 15, 1958, April 14, 1978.
Japan, Research and Power, July 10, 1968, July 9, 2003.
Korea, Research and Power, March 19, 1973, March 18, 2003.
Norway, Research and Power, June 8, 1967, June 7, 1997.
Philippines, Research and Power, July 19, 1968, July 18, 1998.
Portugal, Research, July 19, 1969, July 18, 1979.
South Africa, Research and Power, Aug. 22, 1957, Aug. 21, 1977.
Spain, Research and Power, Feb. 12, 1958, Feb. 11, 1988.
Sweden, Research and Power, Sept. 15, 1966, Sept. 14, 1996.
Switzerland, Research and Power, Aug. 8, 1966, Aug. 7, 1996.
Thailand, Research, March 13, 1956, March 12, 1975.
Turkey, Research, June 10, 1955, June 9, 1981.
United Kingdom, Research, July 21, 1955, July 20, 1976.
United Kingdom, Power, July 15, 1966, July 14, 1976.
Venezuela, Research and Power, Feb. 9, 1960; Feb. 8, 1980.
Vietnam, Research, July 1, 1959, June 30, 1974.

*Special arrangement, scope, effective date, termination date.*

U.S.-U.S.S.R., Agreement on Scientific and Technical Cooperation for the Peaceful uses of Atomic Energy, June 21, 1973, June 20, 1983.

U.S.-Romania, Memorandum on Cooperation in Peaceful uses of Atomic Energy, Jan. 1, 1973, Dec. 31, 1974.

AGREEMENTS FOR COOPERATION WITH INTERNATIONAL ORGANIZATIONS

*Organization, scope, effective date, termination date.*

European Atomic Energy Community (Euratom), Joint Nuclear Power Program, Feb. 18, 1959, Dec. 31, 1985.

Euratom, Additional Agreement to Joint Nuclear Power Program, July 25, 1960, Dec. 31, 1995.

International Atomic Energy Agency (IAEA), Supply of Materials, etc., Aug. 7, 1959, Aug. 6, 1979.

TRILATERAL SAFEGUARDS AGREEMENTS

US/IAEA/Argentina, Trilateral for application of IAEA safeguards to U.S.-supplied materials, July 25, 1969.

US/IAEA/Australia, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Sept. 26, 1966.

US/IAEA/Austria **, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Jan. 24, 1970.

US/IAEA/Brazil, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Oct. 31, 1968.

US/IAEA/Rep. China, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Dec. 6, 1971.

US/IAEA/Colombia, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Dec. 9, 1970.

US/IAEA/Greece **, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Jan. 13, 1966.

US/IAEA/India, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Jan. 27, 1971.

US/IAEA/Indonesia, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Dec. 6, 1967.

US/IAEA/Iran **, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Aug. 20, 1969.

US/IAEA/Israel, Trilateral for application of IAEA safeguards to U.S.-supplied materials, June 15, 1966.

US/IAEA/Japan, Trilateral for application of IAEA safeguards to US.-supplied materials, July 10, 1968.

US/IAEA/Korea, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Jan. 5, 1968.

US/IAEA/Philippines, Trilateral for application of IAEA safeguards to US.-supplied materials, July 19, 1968.

US/IAEA/Portugal, Trilateral for application of IAEA safeguards to US.-supplied materials, July 19, 1969.

U.S./IAEA/South Africa, Trilateral for application of IAEA safeguards to U.S.-supplied materials, July 26, 1967.

U.S./IAEA/Spain, Trilateral for application of IAEA safeguards to U.S.-supplied materials, Dec. 9, 1966.

U.S./IAEA/Thailand, Trilateral for application of IAEA safeguards to U.S.-supplied, materials, Sept. 10, 1965.

U.S./IAEA/Turkey, Trilateral for application of IAEA safeguards to U.S.-supplied materials, June 5, 1969.

U.S./IAEA/Venezuela, Trilateral for application of IAEA safeguards to U.S.-supplied materials, March 27, 1968.

U.S./IAEA/Vietnam,** Trilateral for application of IAEA safeguards to U.S.-supplied materials, Oct. 25, 1965.

U.S./IAEA/Sweden, Trilateral for application of IAEA safeguards to U.S.-supplied materials, March 1, 1972.

U.S./IAEA/Switzerland, Trilateral for application of IAEA safeguards to U.S.-supplied materials, February 28, 1972.

AGREEMENTS FOR COOPERATION FOR MUTUAL DEFENSE PURPOSES [1]

NATO, March 12, 1965.
Australia, Aug. 14, 1957.
Belgium, Sept. 5, 1962.
Canada, July 27, 1959.
France (Land-Based Prototype Fuel Supply Agreement), July 20, 1959.
France, Oct. 9, 1961.
Germany, Fed. Republic, July 27, 1959.
Greece, Aug. 11, 1959.
Italy, May 24, 1961.
Netherlands, July 27, 1959.
Turkey, July 27, 1959.
United Kingdom, Aug. 4, 1958.

** Suspended in view of NPT Safeguards Agreements with Agency.

[1] Except for the Agreement with France of July 20, 1959, all these Agreements provide for exchange of classified information as provided for in Section 144b of the Atomic Energy Act.

EXHIBIT 2

NEWS RELEASE

A group of leading nuclear reactor and nuclear weapons experts issued a report today that called the Nixon Administration's proposed sale of U.S. nuclear reactors to Egypt "imprudent and unwise, and possibly reckless."

The group included:

DANIEL F. FORD, Executive Director of the Union of Concerned Scientists. Mr. Ford has written extensively on problems relating to nuclear reactors and is a consultant on atomic energy regulation to the U.S. Senate Government Operations Committee.

HENRY W. KENDALL, Professor of Physics at M.I.T., and member of the Union of Concerned Scientists. Dr. Kendall is a leading authority on nuclear reactor technolgy. He also served for many years as a consultant to the Department of Defense.

GEORGE B. KISTIAKOWSKY, Professor of Physical Chemistry Emeritus, Harvard University. During World War II Dr. Kistiakowsky was in charge of the Manhattan Project Explosives Division which designed the implosion nuclear weapon. He was a member of the President's Scientific Advisory Committee from 1957 to 1964 and served as President Eisenhower's Science Adviser from 1959–1961.

GEORGE RATHJENS, Professor of Political Science at M.I.T. Dr. Rathjens is a nuclear arms control and nuclear strategy expert who has held important posts in the U.S. Department of Defense, Arms Control and Disarmament Agency, Institute for Defense Analyses, and the White House.

The highlights of the report issued today, entitled "The Proposed U.S.-Supported Egyptian and Israeli Nuclear Programs," are as follows:

1. "A simple implosion nuclear weapon requires from 4 to 8 kilograms of Plutonium, depending on the weapon design. A reactor of the size of those contemplated for sale to Egypt produces in excess of 200 kilograms of Plutonium per year. Accordingly, a few months operation of the reactor would produce enough material for a number of [nuclear] weapons."

2. "In building a nuclear weapon, the acquisition of the material is the most difficult part." Without nuclear reactors, acquisition of materials for a nuclear weapon requires "a massive technology far beyond the capacity of a nation with Egypt's resources." With nuclear reactors, however, the necessary material, plutonium, becomes readily available.

3. If plutonium is available, "a nuclear weapons development program is well within the capacity of the Egyptian nation. A few million dollars a year, at most no more than $10 million a year, for 6–10 years would, at the end of that time and with the necessary plutonium, almost surely result in successful nuclear explosives."

4. The consequences of the proposed U.S.-Egyptian nuclear power agreement "would be to convert the costly economic and difficult technical obstacles of a nuclear weapons program into a purely political decision." The sale of the reactors would open the door to nuclear weapons for Egypt, and it would be left up to them to decide whether to develop them.

5. The "assured safeguards" to be provided against diversion of plutonium for U.S. reactors in Egypt "would not be likely to include physical control of that material by U.S. personnel. At any time, then, a change of view of the governing regime, or a change of the regime itself, could result in the immediate diversion of plutonium to weapons use."

6. The report called attention to the "sharp controversy over safety in the U.S. nuclear program" and to the question of large-scale releases of radioactivity caused by sabotage or acts of war directed against nuclear reactors sold to the Middle East.

7. The report said that the "situation in Israel is different from that in Egypt." As a consequence of Israel's possession of a research reactor, Israel may already "be close to having a nuclear weapon at the present time."

EXHIBIT 3

A SUMMARY—NUCLEAR THEFT: RISKS AND SAFEGUARDS

(By Mason Willrich and Theodore B. Taylor)

This book analyzes the possibility that nuclear materials may be stolen from the fast-growing U.S. nuclear power industry and

used to make weapons. It finds the risk will be "substantial" unless effective steps are taken to assure the public's safety and the nation's security.

Nuclear energy is rapidly becoming a major source of electric power in the U.S. and many other countries. The same materials, plutonium and highly-enriched uranium, that form the explosive cores of atomic bombs, are also produced and used as fuel in nuclear power reactors. Within a few years, tens of thousands of kilograms of these fissionable materials will be flowing through the U.S. nuclear power industry. A few kilograms of these same materials are enough for an atomic bomb; and a few grams of plutonium are enough for a device that could cause widespread radioactive contamination.

The design and manufacture of a crude fission bomb is no longer a difficult task technically, once nuclear materials are at hand; making a plutonium dispersal device is even simpler.

Effective safeguard measures are therefore necessary, so that materials intended for use as nuclear fuels are not stolen and misused by criminals or terrorists. Based on their study, Willrich and Taylor find that the U.S. program to guard against the risk of nuclear theft is improving but incomplete; comparable measures in other nations with nuclear power programs also need improvement. But there are safeguards which, if implemented, will reduce the risk of nuclear theft to a very low level—an acceptable level, in the author's judgment. They are convinced that the costs of these safeguards will be small compared to the overall costs of nuclear power. The most difficult problems in developing an effective safeguards system are institutional and political, not technical, in character.

Many policymakers in the energy field are only vaguely aware of the nuclear theft problem, and most of the general public does not know that it exists. This study is intended to contribute to public understanding of the technical facts and policy issues involved. It contains no classified information. Drawing from extensive unclassified data, it describes in general terms what materials and skills are required to make crude atomic weapons; how much destruction they could cause; where in the nuclear power industry the key materials for such weapons are present; and why and how criminals or terrorists might try to steal them.

How much does the public need to know about the risks of nuclear theft? The most compelling argument against informing the public is that such an effort might inspire warped or evil minds.

But the fact is that a large amount of information, in more technical detail than this study presents, is already in the public domain.

More basically, the security risks which are intrinsic in nuclear power are not temporary; they are an inescapable characteristic of the use of nuclear energy to meet more and more of the world's demand for electricity. The public needs to know that the years just ahead provide the last chance to develop long-term safeguards. Once nuclear materials are flowing through the power industry at the levels expected in a few years, it will be too late to begin to develop effective safeguards against theft.

On the basis of an extensive review of published material open to the public, unclassified conversations with experts, and considerable thought, the authors conclude:

"Under conceivable circumstances, a few persons, possibly even one person working alone, who possessed about ten kilograms of plutonium oxide and a substantial amount of chemical high explosive could, within several weeks, design and build a crude fission bomb."

Fission explosives can also be made with a few kilograms of high-enriched uranium, or with uranium-233. All these materials are found in the civilian nuclear power industry. Besides nuclear material and chemical explosives, the other materials necessary for making a crude fission bomb can be bought in hardware stores or from commercial suppliers of scientific equipment for students.

People involved in this kind of criminal enterprise would need some laboratory and machine shop skills. They would have to be reasonably inventive, and able to find and understand the unclassified literature that deals with nuclear explosives, nuclear reactor safety, and ordinary explosives. They would have to be willing to take moderate risks of serious injury or death.

"Whatever opinions anyone may have about the likelihood that an individual or very small group of people would actually steal nuclear materials and use them to make fission bombs, those opinions should not be based on a presumption that all types of fission bombs are very difficult to make," the authors say.

A "crude fission bomb" is defined as one which has an excellent chance of exploding, with a probable yield equal of at least 100 tons of chemical high explosive, and a possible yield of as much as a few kilotons. Even a "small" nuclear explosion could cause enormous havoc. A nuclear explosion produces not only a blast wave and heat, but also lethal radiation. The effects of a nuclear weapon depend on the characteristics of the target as well as the weapon itself. In a typical suburban residential area, a "crude fission bomb" might kill 2,000 people, mostly by exposure to radioactive fallout. The same explosion in a parking lot beneath a skyscraper could kill as many as 50,000 people and destroy the entire building.

In criminal hands, plutonium could be a danger not only as raw material for a bomb, but also in a relatively simply dispersal device. Plutonium is among the most toxic substances known. Airborne particles small enough to be barely visible can cause fibrosis or cancer of the lung. The amounts that could pose a threat to society are accordingly very small.

One hundred grams (three and one half ounces) of the stuff could be a deadly risk to everyone working in a large office building or factory, if it were effectively dispersed. In open air the effects would be more diluted by wind and weather, but they would still be serious and long-lasting.

In the very near future, nuclear materials will be circulating in huge quantities through the fuel cycles of nuclear power plants. By 1980, tens of thousands of kilograms will be present in the U.S. industry, and several thousand kilograms will be flowing through civilian fuel cycles in other countries. Thereafter, it is expected that the total amounts of these materials in nuclear power industries throughout the world will rapidly increase.

Some parts of the nuclear fuel cycles are inherently more vulnerable to theft than others. Each kind of nuclear reactor, with its own destinctive fuel cycle, presents different problems.

The most common reactor in use today is the light-water reactor (LWR). The possibilities for theft in the LWR fuel cycle, as it now operates, are minimal. The low-enriched uranium the LWR uses for fuel is not at present a usable nuclear weapon material. However, the light-water reactor does produce plutonium (which now goes into storage but will by the late 1970's be recycled as LWR fuel). The plutonium is well protected against theft from the time it is made in the reactor until after it is separated from intensely radioactive spent fuel at a reprocessing plant; the radioactivity itself is a built-in safeguard against theft. The only points in the present LWR cycle where theft of plutonium might occur are after separation at a fuel reprocessing plant, during shipment to a storage plant, or at the storage plant itself. Transportation, as in all the fuel cycles, is probably the weakest security link.

When LWR's begin to use recycled plutonium as fuel, the chances for theft will multiply. The most vulnerable parts of the fuel cycle will be at the reprocessing plant, at the fuel fabrication plant, and during shipment between these sites. Completed fuel assemblies containing plutonium could also be stolen, but the heavy weight of such assemblies would make it a difficult undertaking.

One high-temperature gas-cooled reactor (HTGR) is ready to start up in 1974, as a demonstration model; several commercial-scale HTGR plants are on order. In the more distant future this kind of reactor may play a larger role. To begin with, the HTGR will use high-enriched uranium (which is 90 to 95 percent U–235) as fuel, and create uranium 233; later uranium 233 will be recycled and used as fuel.

The possibilities that uranium 233 might be stolen from the HTGR fuel cycle parallel in general those for plutonium in the light-water reactor cycle. However, fabricated HTGR fuel is much more dilute and difficult to convert to forms that would be usable in nuclear explosives. High-enriched uranium, the other HTGR fuel, is especially vulnerable at these points: as it leaves the fuel enrichment plant, in the form of a highly enriched uranium gas; while it is in transit to a chemical conversion plant (to be converted into solid form); at the conversion plant; and during shipment to the fuel fabrication plant.

The liquid metal fast breeder reactor (LMFBR) is still at an early stage today. But intensive development is underway, and the LMFBR may become the mainstay of nuclear power production toward the end of the century because it is able to "breed" from common uranium more nuclear fuel than it burns. The LMFBR dramatically extends the lifetime of uranium reserves.

The weak points in the LMFBR fuel cycle are the same as in the LWR cycle which includes a plutonium recycle. There is a difference however. The fast breeder's fuel assemblies contain a much higher concentration of plutonium than the LWR's; and it is easier to extract.

The probability of nuclear theft is very low, yet if it did happen the consequences could be catastrophic. In this way, the risk of nuclear theft is similar to the risk of a major accident in a nuclear power plant. But it is more difficult to assess the likelihood of theft, because the risks arise primarily, not from malfunctioning machines, but from malfunctioning people. The possible damage from nuclear theft is even greater than from the maximum credible reactor accident.

Terrorists or criminals or even a single fanatic might try to steal nuclear weapon materials, for money or for purposes of political coercion. If they succeeded, they could use the materials in a number of ways to threaten groups, governments, or whole communities. It is likely that nuclear theft attempts will be very much influenced by the general social and political climate. Factors over which the nuclear power industry has no control will, in other words, largely determine the range of threats. Without effective safeguards to prevent theft, the development of nuclear power will create substantial risks to the security and safety of Americans and people everywhere.

"The U.S. system of safeguards is incomplete at this time," the authors conclude. Although the AEC has substantially strengthened safeguard requirements in recent years, some basic issues pertaining to physical protection have not yet been resolved.

In many areas present security regulations

are vaguely defined. The AEC is now at work developing better guides for some, such as design standards for a safe secure vehicle to transport nuclear weapon materials. For others, serious ambiguities still remain. In still other areas, requirements are precisely defined, but inadequate. For example, there are no specific requirements for the physical protection of less than two kilograms of plutonium, even though a small fraction of that amount is enough to make a radiological weapon. For another example, the requirements for keeping contact with vehicles while they carry nuclear shipments are ineffective.

There are no AEC or internationally administered requirements for the physical protection of nuclear materials which the U.S. exports for other countries to use in their nuclear power programs. Theft of such materials could pose a serious risk to the security of the U.S. as well as other countries. This will be a difficult need to fulfill, though the International Atomic Energy Agency in Vienna does administer an international system of nuclear materials accountancy.

Taken together, present U.S. safeguards do not constitute a system. An effective system of safeguards may evolve, if present trends continue. Today, there is no basis for evaluating such a system as it develops, because the AEC has not determined the maximum credible threat which safeguards are intended to meet, and the essentials of the safeguard system are hidden from public view, in the physical security plans which nuclear licensees file with the AEC on a confidential basis.

It is clearly necessary to keep detailed plans a secret. But the need for secrecy makes it doubly important for the AEC to develop specific safeguard standards that can be justified in public hearings, and to develop an inspection process that will make sure the standards are met.

"A system of safeguards can be developed that will keep the risks of theft of nuclear weapon materials from the nuclear power industry at very low levels," Willrich and Taylor conclude. The system should emphasize the prevention of theft and the detection of any theft in time to prevent its completion.

The principle of containment should be the basis for safeguard measures. The physical barriers and security forces that are designed to protect nuclear weapon materials should be capable of defeating the maximum credible threat that can be reasonably expected anywhere in any nuclear fuel cycle. That threat might involve an attack by a group of perhaps five to ten persons using sophisticated firearms and equipment.

Insofar as practical, techniques should be developed to provide a timely, accurate picture of the material flows in the various nuclear fuel cycles, so that any movement of nuclear weapon materials outside authorized channels can be immediately detected.

The study recommends:

The AEC should design a detailed system of safeguards for each of the nuclear fuel cycles based on use of the best available technology and institutional mechanisms. (The safeguard designs could then be evaluated for cost-effectiveness, to help determine what requirements should be adopted for the nuclear power industry, what safeguard R & D priorities should be established, and what risks of nuclear theft should be accepted.)

The AEC should consider the establishment of a federal nuclear materials security service with the sole responsibility of protecting nuclear materials subject to safeguards.

The AEC should develop and publish a set of procedures for the review of physical security plans submitted by industry licensees. (These procedures should provide the nuclear industry and the public with strong assurance that the security plans proposed by licensees will be assessed thoroughly; that standards will be uniform and equitable; that all plans will result in effective measures to prevent theft.)

The U.S. Government should initiate discussions with the governments of other nations with substantial nuclear power programs with a view to developing a common policy in favor of effective safeguards against nuclear theft anywhere in the world.

"None of man's previous discoveries compare with nuclear energy in terms of the demands placed on him to use it wisely," the authors conclude. "Indeed the widespread use of nuclear energy requires the rapid development of near perfect social and political institutions. This is the unprecedented challenge before us."

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EXHIBIT 4

THE GROWING MEMBERSHIP IN THE NUCLEAR CLUB

(By Marquis Childs)

Watergate, inflation, kidnaping, all the black headlines of the moment must take second place to an event that for the long-range survival of mankind is shattering. That is India's explosion of a nuclear device, with an estimated equivalent force of the bomb that leveled Hiroshima at the start of the nuclear age.

First of all this breaks the barrier—the fragile barrier—of the nuclear non-proliferation treaty. It is significant that India decided to sign that treaty.

Second, with the barrier down, the way is open for other players to come into the game of nuclear roulette. They have been accumulating the chips to entitle them to get in. The following is an approximate rating of the top players:

Israel almost certainly has a nuclear device, if not atomic weapons. Over the years the Weizmann Institute has attracted some of the world's foremost physicists. They have contributed greatly to Israeli nuclear advances cloaked in the tightest secrecy.

Sweden approaches Israel in the high level of scientific and engineering brains in research and development. The capability, if not the actual device, exists. With sensitive measuring instruments, Sweden frequently reports on the scale of Soviet underground explosions.

Switzerland, with advanced scientific and technical development, is in much the same category.

Down the line, with the industrial capacity that can mean eventual production of plutonium and one day a nuclear device, are the following: Argentina, Brazil, Spain, South Africa and, at the bottom of the list, Pakistan.

India becomes the sixth member of the club following the last initiate, China. With every new member the hazard increases by a geometric ratio.

The danger is not only that an irresponsible member might resort to using a weapon. But one ally might secretly hand over a device for purposes of international blackmail.

And there is a more sinister scenario. It begins with the theft or hijacking of a weapon or the plutonium which could be made into a weapon with rather rudimentary knowledge.

The General Accounting Office, in a recent report, found major flaws in the transportation of plutonium and other nuclear material in this country.

A total of 132 pounds of U-235, sufficient to make a Hiroshima-type bomb, simply leaked away from a nuclear plant in Apollo, Pa. An investigation by the Atomic Energy Commission costing $5 million finally concluded that the material had been lost in processing or through shoddy inventory and accounting practices.

A hijacked plane that went zigzagging around the South hovered over the Oak Ridge, Tenn., nuclear complex with the hijackers threatening to crash into the plant and thereby trigger a nuclear explosion.

An atomic weapon acquired by theft or some other secret means could be used by a developing country for blackmail. *Give us what we must have or we will see that it is set off in your largest port or dropped one way or another over your principal city.* The potentialities are terrifying.

A sad commentary is how little push has been given to persuade lagging nations to sign the nuclear nonproliferation treaty.

In light of the worldwide reaction to the new member setting off the initiation fee, the government is busy protesting that India's nuclear capability would never be used for military purposes.

"Our armed forces know this is not for their use," said Defense Minister Jagjivan Ram. The plutonium, the government claims, was 100 per cent Indian made. The two nuclear reactors in India were largely provided by Canada, although Canadian authorities are saying they are not capable of producing plutonium.

The genie out of the bottle—that was the figure of speech used by President John F. Kennedy when he was working toward a test-ban treaty. With proliferation advancing so rapidly as these things are measured, the genie now looms large on the horizon.

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[From the New York Times, June 15, 1974]

UNITED STATES WILL RELY ON CONTROLS ON MILITARY NUCLEAR USES

(By John W. Finney)

WASHINGTON, June 14—Officials said today that in extending nuclear assistance to Egypt the United States would rely on international controls as well as special American safeguards to insure that none of the nuclear materials are diverted into the production of atomic bombs.

Despite the immediate anxiety expressed in some Congressional quarters, officials of the State Department and the Atomic Energy Commission expressed confidence that cooperation with Egypt in the peaceful development of atomic power would not lead to Egyptian possession of nuclear weapons.

Their confidence rested largely upon the effectiveness of an elaborate system of safeguards and inspections, developed first by the United States and more recently by the International Atomic Energy Agency, to prevent the diversion of fissionable materials into the manufacture of weapons.

The communiqué issued in Cairo today by President Nixon and President Anwar el-Sadat of Egypt made clear that the provision by the United States of nuclear reactors and the uranium to fuel them was contingent upon the working out of a safeguards agreement between the two nations.

THE MAIN BURDEN

The expectation was that the main burden of carrying out the safeguards would fall upon the International Atomic Energy Agency, the semiautonomous United Nations agency that has assumed in recent years the primary responsibility of monitoring the peaceful development of atomic energy. But State Department officials said the United States would also insist on special bilateral controls designed to give added assurance against diversion of any fissionable materials into military uses.

For example, according to information supplied to the Joint Congressional Committee on Atomic Energy, the United States will have a veto power over how Egypt processes stores and refabricated the plutonium produced in the reactors. Egypt has given commitments to establish special protective measures against theft or sabotage of fissionable materials.

On the basis of an Atomic Energy Commission briefing, Representative Melvin Price

of Illinois, a senior Democrat on the Congressional committee, also reported that Egypt had given a commitment that none of the fissionable materials would be used for peaceful nuclear explosions. Egypt has thus foresworn following the route of India, which earlier this year used Plutonium obtained through Canadian assistance to explode what it said was a peaceful device.

In extending aid to Egypt, the United States is following a pattern of international cooperation in atomic development dating back to the Atoms for Peace program proclaimed by President Eisenhower in 1961.

The United States now has cooperative atomic agreements with some 35 countries, including Israel. In some cases, the assistance is limited to research, but with 25 countries the United States has cooperative agreements on the development of atomic power, such as it is now proposing to extend to Egypt and Israel.

Under an Atoms for Peace agreement, the United States in 1961 provided Israel with a small five-megawatt research reactor. Controls over the use of the reactor were exercised first by the United States, and then the responsibility was transferred to the International Atomic Energy Agency.

Similarly, the Soviet Union, which has had a far less extensive program of international cooperation than the United States, provided Egypt with a small two-megawatt research reactor in 1960. So far as is known, neither Soviet nor international controls were exercised over the reactor, but United States officials said the reactor has operated so infrequently that it could not have produced significant amounts of plutonium for possible use in a bomb.

GENERAL APPRAISAL

The general appraisal of American officials is that Israel is far ahead of Egypt both in nuclear technology and in the supply of fissionable materials that could be used to fabricate weapons. Under conditions of strict secrecy. Israel in the late nineteen-fifties obtained from France a reactor of a type particularly suited for producing plutonium. This reactor is not subject to any known international safeguards and is believed capable of producing enough plutonium for a few atomic weapons a year.

Now, almost in parallel, Israel and Egypt want to take the relatively big technological step of building large reactors capable of producing substantial amounts of electricity. In taking that step, they are turning to the United States for the reactor plants and the enriched uranium to fuel them.

State Department officials said the initial plan was to provide Egypt with a relatively large reactor capable of generating 600 megawatts of electricity. A similar offer is expected to be extended to Israel when President Nixon visits that country Sunday and Monday.

As the Nixon-Sadat communique pointed out, nuclear energy is "A double-edged sword—offering opportunities for peaceful applications, but raising the risk of nuclear destruction."

TECHNOLOGY WIDELY KNOWN

The basic technology involved in designing and operating an atomic power plant is much the same as that required for fabricating an atomic bomb. The once secret technology of atomic bombs, however, is now widely known, so any nation with trained scientists and engineers should be able to fabricate at least a rudimentary weapon.

The key is in obtaining the fissionable material—either highly enriched uranium or plutonium—for making bombs. It is at this point that international controls enter the picture to prevent peaceful uses from being diverted to military purposes.

Atomic reactors generally use uranium fuel with relatively low enrichment of uranium-235, the fissionable isotope used in bombs. The uranium fuel to be supplied Egypt, for example, will have less than 10 per cent of uranium-235. Weapons require uranium enriched to 90 per cent and more with uranium-235.

The possibility of diversion arises as the fuel is burned. Some of the uranium is transformed in the nuclear chain reaction into plutonium.

Safeguard systems, therefore, concentrate on controlling the plutonium, both in the reactor and in the chemical separation plants required to isolate the plutonium from the uranium fuel.

The safeguards take the form of physical controls, on-site inspection and accounting procedures. In some cases, seals are placed on a rector to provide assurance that it has not been opened and the plutonium removed. Through periodic inspections and accounting procedures, it is possible to determine how long a rector has operated and how much plutonium it has produced. Then, when a reactor is refueled, it is possible to check on the amount of plutonium and whether any was diverted.

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[From the Washington Post, June 15, 1974]

SAFEGUARDS SEEN FOR A-PACT

(By Thomas O'Toole)

Before the United States provides a nuclear power plant to Egypt under the agreement announced yesterday, it will probably insist that Egypt agree to reprocess its spent nuclear fuel in another country.

Such a provision would provide an added precaution against the fuel's being used to make atomic weapons.

The "other country's could even be the United States itself, meaning that each time Egypt unloads a supply of burned-out nuclear fuel from the power plant it will be packed in thick steel casks and shipped back to the United States for reprocessing.

This would be an unusual safeguard against diversion of plutonium to make bombs, but the United States might well insist on it because of the unusual tensions in the Middle East and because of what happened in India.

The Indian government built an atomic bomb out of the plutonium it removed from a 40,000-kilowatt research reactor built for it by Canada. The agreement that India signed with Canada did not provide foolproof safeguards, allowing India to extract plutonium from spent uranium fuel.

The Canadian-built reactor also ran on natural uranium, meaning that India did not have to buy enriched uranium from the United States. It could supply its own uranium and then remove plutonium from the spent fuel whenever it wished.

The atomic power plant the United States has agreed to build for Egypt has been described as a 600,000-kilowatt plant. It will only run on fuel enriched with 3 to 4 per cent U-235, which is the isotope of uranium that is fissionable in a chain reaction.

Natural uranium is also fissionable, but to a far less extent than enriched uranium. Natural uranium contains less than 1 per cent U-235, making it far less desirable as a fuel than enriched uranium.

Enriched uranium is itself not rich enough in U-235 to make a bomb, which requires uranium that is 90 per cent U-235. The U-235 is a man-made metal, produced in huge, expensive enrichment plants by only a few countries.

Plutonium is also a manmade metal, but uranium in any nuclear reactor. A power plant the size of the one planned for Egypt would generate enough by-product plutonium its first year of operation to make a bomb.

There are several ways to safeguard against diversion of this plutonium. The safest and surest is to oversee any reprocessing of spent uranium fuel, where the irradiated fission products are extracted from the fuel to leave behind the uranium and plutonium.

The removal process is costly, time-consuming and hazardous. A special plant must be built to extract the plutonium and uranium for re-use.

Another precaution is for the United States to make sure it handles all shipments of uranium fuel to the power plant. This would be to guard against diversion of any enriched uranium fuel to a part of the reactor where it could be irradiated into plutonium away from inspecting eyes.

Nuclear power plants are usually reloaded with fuel once a year. The plants are shut down, when anywhere from one-fifth to one-third of the original fuel load is removed and replaced with fresh fuel.

The United States has already signed agreements with about 30 countries over the construction and fueling of nuclear plants. Under these agreements, there is a plant in France, two in West Germany, three in Italy, on in the Netherlands and one in India. Plants are being built in Spain, Japan, Yugoslavia, Mexico, Sweden, Taiwan, Korea, Switzerland and Brazil.

Agreements call for international inspections of these plants several times a year, always when the plant's fuel is being replaced. Shipments of the spent fuel are carefully watched.

Presumably, the agreement to be signed with Egypt will call for at least the same safeguards and probably more. Fuel shipments are expected to be fully controlled by the United States. Reprocessing of the fuel will be a little more ticklish, but the United States is expected to insist on control over where the reprocessing is done.

It could be done in Europe, where the costs of carrying the spent fuel from Egypt will not be too great. It will probably be done back in the United States—which would be as much a political move as anything else—to demonstrate to the rest of the world that Egypt is fully cooperating with American demands for safeguards.

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[From the Baltimore Sun, June 15, 1974]

UNITED STATES TO SELL NUCLEAR FUEL TO EGYPT

(By Peter J. Kumpa)

JIDDA, SAUDI ARABIA.—President Nixon arrived in Saudi Arabia yesterday after agreeing to sell Egypt nuclear reactors and nuclear fuel as well as help it financially.

The Egyptians agreed in turn to help increase American investment here. Joint ventures already under "serious consideration" are valued at about $2 billion. They involved projects from petrochemicals to tourism to power.

NO FIGURES SET

No figures for American help were set in the joint declaration of principles of co-operation signed by Mr. Nixon and the Egyptian president, Anwar Sadat. But the President did agree to send the Secretary of the Treasury, William E. Simon, to Egypt in the near future to "initiate" a process of strengthening Egypt's financial structure.

In the nuclear field, an agreement for co-operation will be negotiated after "agreed safeguards" are spelled out. The United States said it was "prepared to sell nuclear reactors and fuel" to allow Egypt to generate substantial electric power by the early 1980's.

The White House press secretary, Ronald L. Ziegler, said in a briefing that any inference that the United States was helping Egypt achieve a military nuclear capability was "totally erroneous and false."

Asked if there was any concern that Israel might be anxious about the nuclear agreement, Mr. Ziegler said, "None whatever."

The day's oppressive heat in this desert kingdom had waned somewhat when Mr. Nixon arrived late in the afternoon after the flight from Cairo.

He was greeted by King Faisal, and after airport ceremonies, Mr. Nixon was whisked through clean-swept streets to the royal guest house.

Thousands of people in the streets clapped their hands in rhythm to salute the first American President to visit this country, which has been a U.S. ally since World War II.

FRUITS OF RELATIONSHIP

Some of the fruits of the "new relationship" with Egypt cannot be measured in dollars alone. In return for help in the reconstruction of Cairo's opera house the Egyptians will send the "treasure of Tutankhamen" for exhibition in the United States. Tutankhamen was an Egyptian ruler buried at Thebes in 1344 B.C. His tomb and its treasures were discovered in the 1920's.

Mr. Nixon finished a hectic and sometimes frenzied two-day visit in Egypt fulfilling the dream of centuries of tourists. He went out to see the pyramids after returning to Cairo by helicopter from Alexandria.

One of the more important results of Mr. Nixon's visit to Egypt has been a personal agreement that the road to a Middle East peace has to be reached through a cautious and careful "step-by-step" approach without rushing unprepared into a major Geneva meeting.

How this might be done was not spelled out in the joint communique.

To reach "a just and durable peace," both presidents agreed to intensify consultants and strengthen their own "active co-operation."

Though such general terms can mean almost anything, it is clear from the Egyptian side that there will be co-operation at a practical level to bring the Middle East out of its decades of war.

PALESTINIAN SITUATION

In the first version of the joint Egyptian-American statement, nothing specific was said about the Palestinian question. Some Egyptian newspapers had been predicting that Mr. Nixon would endorse the rights of the Palestinians to have a seat in any final peace talks.

Later, a White House spokesman contended a mistake had been made. He said lines "were dropped in transmission" of the statement from Alexandria to Cairo.

The new version of the statement did support "the legitimate interests of all the people in the Middle East, including the Palestinian people and the rights to existence of all states in the area."

This appeared to be nothing more than a reaffirmation of previous American policy statements, including a joint Soviet-American statement in Moscow in May, 1972.

SIX WORKING GROUPS

Some specifics in bilateral co-operation appeared more encouraging than the usual cliches of diplomacy. In the investment field, a new guarantee agreement is to be negotiated immediately. This will allow joint ventures in such areas as transportation, petrochemicals, machinery, land development, tourism, banking and a variety of other fields.

In all, six joint working groups are to be established in argiculture, technology, medical co-operation and cultural exchanges as well as in investment and reconstruction of the Suez Canal and the destroyed cities along its banks.

Cairo's papers began hailing the joint declaration of principles as "a historic document" even before the signing took place in early afternoon in the Abdin Palace in Cairo.

They reported that there had been "full agreement" on the basic principles on how to settle the Middle East crisis.

The agreement itself merely endorses general principles enunciated and agreed upon by the United Nations, principles that have been interpreted differently by Israel and by the Arab states.

Both presidents agreed to "seize the historic opportunity" for greater co-operation and perhaps pointedly agreed that nothing they do will be directed against any other states or peoples in the area.

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[From the Baltimore Sun, June 15, 1974]

NIXON NUCLEAR OFFER TO EGYPT ASSAILED IN UNITED STATES

(By Charles W. Corddry)

WASHINGTON.—President Nixon's offer to sell Egypt nuclear reactors and fuel provoked strong reaction in Congress yesterday while government officials insisted that there would be fullest safeguards against misuse for military purposes.

Emphasizing that America has about 30 other agreements on peaceful use of nuclear energy, State Department and Atomic Energy Commission officials said the pact to be negotiated with Egypt will be tailored so that none of the nuclear material can be diverted to weapons production.

The plan, according to State Department officials who said it had been under development at least since April, is to sell Egypt two reactors and necessary nuclear fuel to establish a plant for generating electric power. The plant would have an output of 600 megawatts (600 million watts) and would begin to operate in the early 1980's.

Officials indicated they expected a similar agreement to be worked out with Israel, but not with other Middle East countries on Mr. Nixon's itinerary.

Concern that the forthcoming agreement—which must have congressional assent—would put Egypt on the road to achieving nuclear arms ran through the statements issued by members of Congress, who seemed not to be placated by any assurances about physical safeguards.

The only exception appeared to be the chairman of the congressional Joint Atomic Energy Committee, Representative Melvin Price (D., Ill.), who was among those told in advance about the agreement. "We have tightened up on safeguards and the Egyptians have accepted those tightened safeguards," he said.

Senator Henry M. Jackson (D., Wash.) described himself as "terribly shocked" and said Mr. Nixon's Middle East journey has "become dangerous." Mr. Jackson said bombs can be made "straight out of plutonium," a by-product of nuclear power plants, which, he said, is what India did recently in achieving a nuclear blast.

Senator Jacob K. Javits (R. N.Y.) said Mr. Nixon's announcement "marks a very basic policy decision which could involve the survival of Israel and the security of the whole Middle East." Senator Frank Church (D., Idaho) thought the President "has gone beyond propriety." Such a pact, undertaken with an impeachment investigation in progress, "is brought back to this country under a cloud."

Representative Clarence D. Long (D., Md) said the President "must have taken leave of his senses" and vowed to try to block the agreement. He said Egypt does not need nuclear power for electric purposes and wants it only for prestige or weapons. Representative Les Aspen (D., Wis.) said America would be giving Egypt "the makings for a bomb" and Mr. Nixon has "to be nuts to do something like this."

All the criticisms and worries about weapons potentialities were far off the mark, State Department and Atomic Energy Commission officials contended.

They appeared to receive support from an odd and unexpected quarter. The Israeli information minister, Maj. Gen. Aharon Yariv, was quoted as saying in Jerusalem: "There is no significance whatsoever to the Egyptian-American announcement beyond the commitment for the production of electricity."

Officials said "physical safeguards" rather than trust are the key to preventing diversions of nuclear materials to military purposes. These safeguards, as laid down by the International Atomic Energy Agency, call for periodic spot checks of power plants and rigorous accounting and tracking of nuclear materials.

Officials said the fuel to be sold to Egypt will be only 3 per cent fissionable Uranium-235, the rest non-fissionable Uranium-238. Weapons-quality material is about 90 per cent U–235.

To obtain plutonium, Egypt would need a reprocessing plant and officials said there would be most careful consideration of whether this would be included in sales to Egypt.

In a reprocessing plant, plutonium is separated from waste materials. An expert here said that, theoretically, if there were reprocessing, enough plutonium could be extracted from processed waste in a 600-megawatt plant to make the equivalent of 200 bombs a year, each with the destructive power of 15,000 tons of TNT.

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[From the New York Times, June 15, 1974]

UNITED STATES WILL RELY ON CONTROLS ON MILITARY NUCLEAR USES

(By John W. Finney)

WASHINGTON, June 14—Officials said today that in extending nuclear assistance to Egypt the United States would rely on international controls as well as special American safeguards to insure that none of the nuclear materials are diverted into the production of atomic bombs.

Despite the immediate anxiety expressed in some Congressional quarters, officials of the State Department and the Atomic Energy Commission expressed confidence that cooperation with Egypt in the peaceful development of atomic power would not lead to Egyptian possession of nuclear weapons.

Their confidence rested largely upon the effectiveness of an elaborate system of safeguards and inspections, developed first by the United States and more recently by the International Atomic Energy Agency, to prevent the diversion of fissionable materials into the manufacture of weapons.

The communique issued in Cairo today by President Nixon and President Anwar el-Sadat of Egypt made clear that the provision by the United States of nuclear reactors and the uranium to fuel them was contingent upon the working out of a safeguards agreement between the two nations.

THE MAIN BURDEN

The expectation was that the main burden of carrying out the safeguards would fall upon the International Atomic Energy Agency, the semiautonomous United Nations agency that has assumed in recent years the primary responsibility of monitoring the peaceful development of atomic energy. But State Department officials said the United States would also insist on special bilateral controls designed to give added assurance against diversion of any fissionable materials into military uses.

For example, according to information supplied to the Joint Congressional Committee on Atomic Energy, the United States will have a veto power over how Egypt processes, stores and refabricated the plutonium produced in the reactors. Egypt has given commitments to establish special protective measures against theft or sabotage of fissionable materials.

On the basis of an Atomic Energy Commission briefing Representative Melvin Price of Illinois, a senior Democrat on the Congressional committee, also reported that Egypt had given a commitment that none of the fissionable materials would be used for peaceful nuclear explosions. Egypt has thus fore-

sworn following the route of India, which earlier this year used Plutonium obtained through Canadian assistance to explode what it said was a peaceful device.

In extending aid to Egypt, the United States is following a pattern of international cooperation in atomic development dating back to the Atoms for Peace program proclaimed by President Eisenhower in 1961.

The United States now has cooperative atomic agreements with some 35 countries, including Israel. In some cases, the assistance is limited to research, but with 25 countries the United States has cooperative agreements on the development of atomic power, such as it is now proposing to extend to Egypt and Israel.

Under an Atoms for Peace agreement, the United States in 1961 provided Israel with a small five-megawatt research reactor. Controls over the use of the reactor were exercised first by the United States, and then the responsibility was transferred to the International Atomic Energy Agency.

Similarly, the Soviet Union, which has had a far less extensive program of international cooperation than the United States, provided Egypt with a small two-megawatt research reactor in 1960. So far as is known, neither Soviet nor international controls were exercised over the reactor, but United States officials said the reactor has operated so infrequently that it could not have produced significant amounts of plutonium for possible use in a bomb.

The general appraisal of American officials is that Israel is far ahead of Egypt both in nuclear technology and in the supply of fissionable materials that could be used to fabricate weapons. Under conditions of strict secrecy, Israel in the late nineteen-fifties obtained from France a reactor of a type particularly suited for producing plutonium. This reactor is not subject to any known international safeguards and is believed capable of producing enough plutonium for a few atomic weapons a year.

Now, almost in parallel, Israel and Egypt want to take the relatively big technological step of building large reactors capable of producing substantial amounts of electricity. In taking that step, they are turning to the United States for the reactor plants and the enriched uranium to fuel them.

State Department officials said the initial plan was to provide Egypt wtih a relatively large reactor capable of generating 600 megawatts of electricity. A similar offer is expected to be extended to Israel when President Nixon visits that country Sunday and Monday.

As the Nixon-Sadat communique pointed out nuclear energy is "A double-edged sword—offering opportunities for peaceful applications, but raising the risk of nuclear destruction."

The basic technology involved in designing and operating an atomic power plant is much the same as that required for fabricating an atomic bomb. The once secret technology of atomic bombs, however, is now widely known so any nation with trained scientists and engineers should be able to fabricate at least a rudimentary weapon.

The key is in obtaining the fissionable material—either highly enriched uranium or plutonium—for making bombs. It is at this point that international controls enter the picture to prevent peaceful uses from being diverted to military purposes.

Atomic reactors generally use uranium fuel with relatively low enrichment of uranium-235, the fissionable isotope used in bombs. The uranium fuel to be supplied Egypt, for example, will have less than 10 per cent of uranium-235. Weapons require uranium enriched to 90 per cent and more with uranium-235.

The possibility of diversion arises as the fuel is burned. Some of the uranium is transformed in the nuclear chain reaction into plutonium.

Safeguard systems, therefore, concentrate on controlling the plutonium, both in the reactor and in the chemical separation plants required to isolate the plutonium from the uranium fuel.

The safeguards take the form of physical controls, on-site inspection and accounting procedures. In some cases, seals are placed on a reactor to provide assurance that it has not been opened and the plutonium removed. Through periodic inspections and accounting procedures, it is possible to determine how long a reactor has operated and how much plutonium it has produced. Then when a reactor is refueled, it is possible to check on the amount of plutonium and whether any was diverted.

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[From the Chicago Tribune, June 15, 1974]

EGYPT A-BOMB UNLIKELY, BUT POSSIBLE

(By Ronald Kotulak)

Leading nuclear scientists said yesterday that it is unlikely that Egypt could make atomic bombs from the nuclear reactor and fuel that President Nixon has agreed to supply.

It is theoretically possible, they admit, but to do so Egypt would have to overcome enormous problems—including breaking treaties and developing an expensive nuclear technology that it doesn't have now.

"As long as we have the proper controls I am not concerned that the Egyptians will be able to build a nuclear bomb," said Dr. Herbert Anderson, who worked with Enrico Fermi at the University of Chicago in 1942 to make man's first controlled nuclear reaction.

Nevertheless, he added, "There are all kinds of ways to get around regulations, such as bribing inspectors, so that the safeguards must be good."

Vice President Ford said in Chicago yesterday that the United States "will take strong and affirmative action if any recipient of American nuclear energy tries to use it for military purposes."

"We'll cut them off within seconds," said Ford, who was here for a Boy Scout luncheon. He said the U.S. is responsible under the Nuclear Nonproliferation Treaty for firmly guaranteeing that nuclear power furnished by this country would not go to military uses.

The scientists also noted that the United States would avoid the mistake Canada made, allowing India to secretly divert a small Canadian research reactor into the production of fuel for weapons.

Each of the approximately 45 reactors the U.S. has agreed to supply fuel for in 14 foreign countries are under strict control. First they are inspected regularly by the United Nation's International Atomic Energy Agency to make sure none of the fuel is diverted to weapons-making.

Second, if the international agency couldn't do the job for some reason, the U.S. has the right, under its agreement with each country, to go in and inspect, control, and even remove the nuclear fuel.

It was learned, however, that Canada, which normally follows the same precautions, failed to make an agreement with India to have the IAEA inspect the research reactor. Instead, Canada relied on India's "word of honor" that it wouldn't use the reactor to make fuel for bombs.

India broke its word but not a treaty, since none existed. The Canadians became so upset that they have suspended all nuclear aid to India.

"This type of diversion couldn't happen to one of our reactors because we make no agreements with foreign countries without the proper regulations for inspection and control," said Dr. Abraham Friedman, head of the Atomic Energy Commission's international reactor program.

The U.S. has supplied India with two 200-megawatt nuclear reactors near Bombay, but they are under strict control and no fuel can be diverted for them, he said.

Egypt has asked for two 300-megawatt reactors to generate electricity. Once the final agreement is reached on safeguards, it will have seven to eight years to build the units, Dr. Friedman said.

After operating for one year there would be enough potential fissionable material in the spent nuclear fuel to make a bomb but "this is really inconceivable," Dr. Friedman said.

Dr. Robert Sachs, director of Argonne National Laboratory, said the chances of using a conventional power reactor for weapons production is rather remote.

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[From the Baltimore Sun, June 15, 1974]

CAIRO LACKS THE SKILLS TO BUILD NUCLEAR ARMS

(By Frank Carey)

WASHINGTON.—Despite expectable apprehension in Israel and elsewhere, Egypt would have great trouble converting the know-how that accompanies America's nuclear aid into weapons of mass destruction.

First, the plan to help Egypt develop a nuclear power plant presumably will be limited by the same strict safeguards prescribed in the past agreements between the United States and other countries.

Despite the knowledge gleaned from the American assistance, the simple lack of technical skills would be another big problem. Moreover, Cairo's technological focus is likely to be turned, from sheer economic necessity, more to the development of non-nuclear industrial plants.

Details were not announced, pending further negotiations, on the United States plan to help Egypt generate nuclear power by the early 1980's. But it likely will be of the "trilateral" type the U.S. now has with 22 other foreign countries and with the International Atomic Energy Agency.

Under those agreements, IAEA safeguards are applied to any and all American-made nuclear materials supplied to such countries.

And these safeguards call for periodic inspections of power plants, laboratories and other facilities using such materials—and a strict accountability of how the materials are used and the nature and quantities of nuclear by-products produced from the original materials.

The kind of nuclear fuel that ordinarily is used in nuclear power plants could not, of itself, be used to make weapons. It is a refined version of "natural" uranium as it comes from the ground, and is 97 per cent uranium-238, which is nonfissionable, and only 3 per cent U-235, which is fissionable.

Thus, to make nuclear weapons employing uranium requires the building of a huge and highly complex "enrichment" plant of the type the United States has at Oak Ridge, Tenn.; Paducah, Ky., and Portsmouth, Ohio. These plants are called "gaseous diffusion" plants.

But, beyond building such plants, the process entails great technological and scientific know-how—and requires great quantities of electricity.

Another fissionable material that can be used to make weapons is plutonium, which does not occur in nature but is produced as a by-product of nuclear power plants.

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[From the Christian Science Monitor, June 17, 1974]

MIDEAST A-PACTS: HAZARDS DEBATED

(By David F. Salisbury)

The effectiveness of international nuclear safeguards is under new scrutiny following President Nixon's agreement to provide Egypt with nuclear energy.

In particular, there is a danger that fissionable material used in a power plant in Egypt might be stolen by terrorist groups and used for blackmail.

In the last few months, two independent

studies have found even United States nuclear safeguards, the tightest in the world, to be inadequate to prevent the theft of nuclear materials by armed terrorist groups.

U.S. officials insist that the nuclear power program for Egypt will be under strict examination from the International Atomic Energy Agency (IAEA) in Vienna. This involves regular on-site inspection.

The U.S. now has cooperative agreements under similar conditions with 25 nations.

The Indian plant from which basic fissionable material was generated for India's first atomic blast recently was not under IAEA supervision. It was set up with the help of Canada, which has since ended its assistance in protest against the Indian detonation.

U.S. atomic energy officials must also consider the possibility that the Egyptians could use the plutonium generated by the U.S.-provided nuclear power plant to produce a nuclear weapon themselves.

Presently, the fuel rods that go into commercial nuclear reactors cannot be made easily into a nuclear bomb. However, in the core of the reactor some of the uranium transmuted into plutonium can be separated chemically and made into an explosive.

SEPARATION DIFFICULT

Because the spent fuel is highly radioactive, this separation must be done remotely, behind heavy lead shielding. The process is very expensive.

But by the 1980's, when Egypt's first commercial reactor is to be completed, present plans of the nuclear industry call for enriching fuel with plutonium. This will make it easier for any country with a stockpile of fuel rods to divert materials and fabricate a bomb within days or weeks after they decide to do so, arms control experts concede.

According to information supplied to the congressional Joint Committee on Atomic Energy, Egypt has agreed that it will not use any of the fissionable materials for even "peaceful" nuclear explosives, as the Indians have moved to do.

However, Republican Sen. Jacob Javits of New York, among others in Congress, is not so sure about relying on such promises. In a recent press conference, he recalled Egypt's violations of agreements made after 1956 and said, "We must be extremely wary about the possibility of introducing nuclear weapons into the Middle East tinderbox."

CONGRESS HAS VETO

Agreements providing nuclear assistance are subject to congressional veto. They take effect unless disapproved by both houses within 60 days after being submitted to them.

Some members of the congressional Joint Committee say they would watch closely any proposed safeguards.

A member of the committee, Sen. Henry Jackson (D) of Washington, said he is considering introducing a resolution to make the Middle East a nuclear-free zone. He said this would have an effect of prohibiting the supply of nuclear equipment and fuel into the region.

The Washington Senator called the plan absurd to send reactors and atomic fuel into a region which has a huge pool of the world's oil and natural gas resources and also is prone to terrorism.

Sen. Frank Church (D) of Idaho, a senior member of the Foreign Relations Committee, says he will introduce legislation prohibiting all American foreign aid to Egypt until the Cairo government signs the international treaty on the nonproliferation of nuclear weapons.

At the same time, it is the concern of some that Palestinian or other terrorists might be able to steal generated plutonium and use it for international blackmail.

Mr. Nixon is expected to sign a similar nuclear agreement with Israel. The Israelis have operated a French research reactor since the 1950's. Experts feel the Israelis have enough plutonium stockpiled to make at least 10 atomic bombs. This is in contrast with Egypt, which has operated two small Soviet reactors but not long enough to generate much plutonium.

DANGERS DESCRIBED

A long-time crusader for increased nuclear safeguards and co-author of one of the studies which found U.S. safeguards inadequate, Dr. Theodore B. Taylor has told how easy it would be for terrorists to steal nuclear materials and fabricate them into an explosive.

Both IAEA and U.S. Atomic Energy Commission (AEC) safeguards rely heavily on accounting methods, elaborate methods of weighing and measuring that are designed to detect theft of nuclear materials after the fact.

"A terrorist group would not care if their theft is detected," reasons Dr. Taylor. "In many cases they even want the publicity. So such a system does not serve as an effective deterrent."

EFFECTIVENESS DOUBTED

In addition, Dr. Taylor's study and another panel commissioned by the AEC, both conclude that such a system is inadequate to keep track of the large amounts of nuclear materials that will be flowing throughout the U.S. and the world in the foreseeable future.

Instead, Dr. Taylor has been pushing for a system stressing armed guards and electronic surveillance to protect against theft. In the U.S. he is optimistic that such a system can be implemented for a few percent of the total cost of nuclear energy. Internationally, he is less optimistic.

"There has been an increasing amount of talk within the IAEA of strengthening safeguards, but not much action," he says.

In addition to the present IAEA safeguards, the U.S. is reportedly insisting that Egypt use special procedures to protect against theft and sabotage.

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[From the Washington Post, June 23, 1974]

SPREAD OF PLUTONIUM WORRIES A-SCIENTISTS

(By Thomas O'Toole)

When India decided in 1971 to build an atomic bomb, it was already halfway along to achieving its goal.

Hundreds of physicists had been put to work before 1970 at Bhabha Research Center near Bombay, designing the bomb and the super-sensitive explosive that would serve to trigger it.

Computers had begun the painstaking task of testing the weapon on paper. Most important, India had secretly been removing from a small "research" reactor the priceless plutonium it used to make the 14-kiloton bomb that exploded in the Rajasthan desert May 18.

Only India knows how much plutonium it put together to make its first bomb, but it could have been as little as 14 pounds.

Whatever they used, the Indians had little trouble accumulating it. For 10 years they had been gathering as much as 20 pounds of the gray metal every year, merely by separating it from the fission products of a uranium-fueled reactor built for the Indians by the Canadians in the 1950s.

India was the sixth country to explode an atomic bomb, the fifth to do it first with plutonium. Only China exploded a uranium bomb first, presumably because it acquired uranium before it could make plutonium.

Plutonium was discovered only three decades ago, and is made when an atom of U-238 (natural uranium) absorbs a neutron cast off by fissioning U-235, the isotope of uranium used in bombs and, in much less concentrated form, in reactor fuels. Every nuclear reactor in the world starts making plutonium the moment its uranium fissions and begins to make heat.

This means that whoever wants to make a bomb need only extract plutonium from the irradiated wastes of an atomic power plant. He doesn't need a uranium enrichment plant to make "weapons-grade" (93 per cent U-235) uranium, a factory that's likely to cost $250 million to build and $50 million a year to operate.

There are other reasons why a plutonium bomb is the cheapest and easiest to make. It can be built from half as much metal as a uranium bomb. It can also be made using impure plutonium. In fact, the impurities contain a built-in generator (an isotope known as Pu-240) of neutrons, something needed to start the chain reaction that explodes the bomb.

"It's the plutonium curse," is the way it's put by the Atomic Energy Commission's Dr. Charles Thornton. "Something that society is going to have to struggle with for the rest of time."

The perils of plutonium have been spotlighted by the world's rush to "go nuclear." There are today 15 countries operating atomic power plants, all of them quietly producing plutonium. It's true that a nation needs a plutonium separation plant to get at it, but India's example has served to dispel any ideas that plutonium extraction is reserved for the rich.

Atomic power plants are also being built in another 10 countries and are on order in at least 10 more, including oil-rich Iran. Spain is building six, Sweden eight, West Germany 13 and Japan a staggering 16. Egypt and Israel aren't on this list, even though President Nixon promised to sell one plant to each of the countries on his 10-day tour of the Middle East.

The likelihood that Egypt and Israel will have power plants producing plutonium has triggered a busy debate on Capitol Hill, where the House Armed Services Committee is to hold hearings on the subject this week.

Three senators (Lawton Chiles of Florida, William Proxmire of Wisconsin and Frank Church of Idaho) have questioned the wisdom of introducing plutonium to the Middle East.

"The world has witnessed a spurt of nuclear developments in several countries, which does not bode well for the future," said Church, a key member of the Senate Foreign Relations Committee. "I am particularly disturbed that President Nixon has committed the United States to furnish nuclear capability to Egypt and Israel, two countries which have fought four hot wars over the last quarter of a century."

It will be eight years before Egypt and Israel get the nuclear power plants promised by the President, and in those eight years the rest of the world will have accumulated more than 250,000 pounds of plutonium. That's enough to make 20,000 atomic weapons, almost as many as the United States has today in its arsenal.

By the time Egypt and Israel get nuclear power, the plants will probably be fueled with plutonium instead of uranium. So plentiful will plutonium be by the end of the decade that it might make sense to turn to "plutonium recycle," where the extracted plutonium is put back into the power plants to save uranium and money.

The pressures to go to a plutonium power economy will be enormous, partly because uranium is becoming scarce and partly because it is so expensive. A typical uranium fuel core with a 10-year lifetime costs more than $100 million. The value of the fissile uranium is close to $5,000 a pound, more than twice the price of gold.

Plutonium is more valuable than gold. More than $1 million worth of plutonium can be recovered every year from a nuclear power plant. Four plants could produce enough plutonium to run a fifth plant. In effect, a million kilowatts of electricity would be generated free of fuel costs for every 4 million

kilowatts, whose costs run $40 to $50 million a year.

"Plutonium recycle means you must worry about theft as well as an Indian-type diversion," said Dr. Theodore B. Taylor, a one-time designer of atomic weapons for the Los Alamos Scientific Laboratory. "Theft becomes a distinct possibility with plutonium fuel moving around the world."

The thieves could be the scientists of a country deciding to build a bomb. They could also be organized criminals, lured not by the wish for weapons but by plutonium's rising value on the black market.

"Once special nuclear material (like plutonium) is successfully stolen, a market for such illicit materials is bound to develop," said AEC Commissioner Clarence E. Larson. "As the market grows, the number and size of the thefts can be expected to grow with it, and I fear such growth would be extremely rapid once it begins."

The AEC takes pains to point out that the world is still debating the merits of a plutonium-fueled economy, but spreading nuclear power plants without plutonium fuel are still a threat. It's true the United States builds safeguards into atomic plants, but there are ways to break safeguards.

The way India did it was to place its own natural uranium (less than 1 per cent fissile U-235) into the 40,000-kilowatt research reactor built for it by Canada. It took time and patience, but for every two pounds of uranium the Indians put in they got two ounces of plutonium out.

There are more clandestine ways to make plutonium. A few pounds of uranium could be taken out of the fuel package each year a plant is refueled, then irradiated secretly to make plutonium. Bootleg piping could be built into a power plant to remove tiny amounts of irradiated fuel, including the plutonium that has already been made.

The best way to do it would be to place plentiful natural uranium in the control rods and shielding inside the fuel bundle. Wherever neutrons leak out from the chain reaction will do. There is a chance of fouling up the neutron balance, and even a slight risk of losing the chain reaction this way, but if a country is dead serious about this approach it could make as much as 1,000 pounds of plutonium in a year.

One thing that worries the experts about plutonium is that terrorists or criminals might get their hands on it. They wouldn't even need enough for a bomb to make impossible ransom demands. The reason is that plutonium in its powdered form is about as poisonous a substance as there is.

The threat of a plutonium smoke bomb tossed into a New York bank might be enough to extort $1 million from the bank. The threat of a plutonium "dispersal device" exploded in the air over San Francisco could be enough to empty the city. Winds could carry plutonium dust for miles, and people might have to stay indoors for days while trained troops wearing gas masks cleaned up the city streets and surrounding countryside.

A person could hold plutonium in his hand and not be seriously harmed. He might even get away with swallowing some of it, but if he got any in his bloodstream (through a wound) or inhaled any of it death might follow in a matter of hours, days at the most.

Plutonium is one of four radioactive metals (americium, curium and polonium are the others) that are alpha-emitters, meaning that they discharge alpha rays as their radioactivity decays. Plutonium also endures. Its half-life is 24,000 years. An ounce of plutonium created today will be radiating alpha rays 200,000 years from now.

There is nothing more toxic than alpha rays, not even an overdose of X-rays. Their radiated energy is 10 times more potent than X-rays' and gamma rays', even though both those forms of radiation penetrate farther into the body.

Plutonium that seeps into the bloodstream seeks out the bone immediately, following the path of metals like calcium and strontium. It settles on the bone surface and stays there forever. It is even more poisonous to the lung, whose tissue is among the most delicate and sensitive in the human body. Inhaled plutonium would cause immediate lung damage, and if the dose were large death from suffocation would take place in minutes.

"An alpha particle lays down its energy much more rapidly and much more completely than an X-ray," said the University of Minnesota's Dr. Donald Geesaman, once with the AEC's Livermore, Calif., laboratory. "It's like getting hit with a car and then run over by a truck."

There is little hard medical experience with plutonium and humans. The people killed in the Hiroshima and Nagasaki explosions (one a plutonium bomb, the other with some plutonium) were killed outright by blast, heat and immediate and massive radiation from all fission products of the explosion, including plutonium.

There have been experiments with dogs, tests done over the past 25 years with beagles at the University of Utah. One series of tests involved plutonium injections into the dogs' bloodstreams. Another followed the inhalation of plutonium by the dogs.

The dogs injected with the lowest dose levels got sick from plutonium. Fully one-third of the 65 dogs injected got bone cancer, living nine months after the onset of the disease. Two dogs got cancer of the liver, surviving about as long as the bone-cancer cases once the disease had set in.

Dogs inhaling plutonium suffered more. Forty-four of the 65 dogs in this test died in less than five years, all of them from lung failure. Twenty of the 21 dogs who survived five years died of lung cancer, all within a year of the start of the disease.

Despite its obvious ill effects if inhaled from a smoke bomb or a dispersal device, plutonium is at its most fearsome when it is used to make an atomic bomb. The irony of the fear is that weapons experts worry less about other countries building a plutonium bomb and using it than they do about terrorists threatening to make a stolen smoke bomb.

"If anybody built a plutonium bomb and used the goddamn thing they could count on retaliation from the rest of the world," said one of the country's foremost atomic weapons experts. "You might find the Russians and the Americans falling over themselves to make a world example of what happens to nations who tinker with nuclear weapons."

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[From the Los Angeles Times, Aug. 1, 1973]

NUCLEAR WASTES FROM FOREIGN REACTORS BEING STORED IN UNITED STATES

(By Lee Dye)

Deadly radioactive waste products from American-built nuclear reactors in foreign countries are being imported into the United States in spite of the fact that this country has serious problems in storing its own radioactive wastes.

While an Atomic Energy Commission official said the quantity of imported nuclear waste is relatively small, it is growing.

And it appears that the United States is well on its way to becoming the radioactive dumping ground for much of the world.

At the same time, U.S. Atomic Energy Commission officials concede that the United States has not solved its own problems of waste disposal. The 30-year history of the Nuclear Age is replete with serious shortcomings in the management of radioactive waste products in this country.

However, radioactive waste products already are in storage here from Japan, Canada and Italy, and many other countries will soon join that list.

American-made nuclear power plants are going into service in many countries. The American firms which build the reactors also hold contracts for reprocessing the fuel, the source for nearly all of the lethal radioactive waste products generated by nuclear reactors.

The fuel rods must be returned to the United States for reprocessing and the waste remains here.

This predicament evolved from the Atoms for Peace program which President Dwight D. Eisenhower laid before the United Nations on Dec. 8, 1953. In a dramatic speech, Mr. Eisenhower pledged this nation to the peaceful exploitation of the action on a worldwide basis.

He followed up on that theme two years later in a message to scientists from all over the world who had gathered in Geneva for a U.N. conference on peaceful uses of atomic energy. Referring to his earlier speech, the President said:

"I stated then, and I reaffirm now, that the United States pledges its determination to help find ways by which the miraculous inventiveness of man shall not be dedicated to his death but consecrated to his life.

WORLDWIDE PROGRAM

"This pledge which we gave 20 months ago has become the law of our land, written into our statutes by the American Congress and the new Atomic Energy Act of 1954. The new act states in forthright language that we recognize our responsibilities to share with others, in a spirit of cooperation, what we know of the peaceful atomic art."

That pledge led the United States into a worldwide program aimed at developing atomic energy. American scientists were dispatched to foreign capitals to encourage the use of nuclear power and foreign scientists and technicians were imported to learn from the AEC.

Over the years American industry moved to the forefront in the promotion of nuclear power. Today, companies like General Electric and Westinghouse build nuclear reactors for foreign countries around the world.

But as Dr. Frank Pittman, AEC director of waste management, has said, more money is to be made in the fuel than in the reactors themselves.

"General Electric produces fuel for reactors they have sold around the world," Pittman said.

The sales contracts require the buyer to purchase fuel from GE, Pittman said.

That means that the fuel rods from the reactors must be removed from time to time and shipped back to the GE reprocessing center in Morris, Ill. Reusable uranium and other saleable radioisotopes are extracted from the fuel rods, leaving considerable amounts of deadly radioactive waste.

Those waste products will remain in this country under what the AEC calls "perpetual care."

This situation came to light in a letter from Pittman to Sen. Mark Hatfield (R-Ore.). The senator had written the AEC at the request of Nancy Cutter of Portland, Ore., a member of Another Mother For Peace. The antiwar organization has turned much of its attention to nuclear power and recently made its files available to The Times.

PACTS MENTIONED

In his letter to Hatfield, dated Sept. 27, 1972, Pittman referred to agreements with 35 countries under the Atoms for Peace Program:

"Consistent with these agreements, small quantities of spent fuel from Japan and Canada have recently been processed at AEC and commercial facilities within the United States. The high-level radioactive wastes deriving from these processing activities remain in this country."

Pittman said he does not consider the

problem of foreign waste significant because it will not add appreciably to the waste generated by this country.

AMOUNT OF FUEL

He added that economics will force some countries to build their own reprocessing facilities rather than transport the material all the way back to the United States.

However, AEC documents indicate that the amount of fuel for foreign reactors that will be processed in this country may be very substantial in the years ahead.

In its annual reports on the nuclear industry in recent years, the AEC has projected that "foreign free world requirements" for fuel will nearly equal domestic requirements by 1985. The reports indicate that more than 60% of that requirement will probably be met by U.S. processing plants in 1985.

The reports also show that in dollar values the export of nuclear fuel material and isotopes exceeded the value of exported reactors and instruments as early as 1969.

As Pittman said: "The money in the long term is in the fuel."

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[From the Washington Post, June 9, 1974]

RADIOACTIVE WASTE PROBLEM FOR THE AGES

(By Lee Dye)

LOS ANGELES.—In the last three decades, man has created radioactive poisons that will remain extremely toxic for hundreds of thousands of years.

And in the years ahead, he will create far more radioactive waste products as the nation's nuclear power program moves into full force.

What are we going to do with all that deadly garbage? Should we try to rocket it to the sun? Would we be better off to bury it somewhere in the earth where the chances that it will be uncovered accidently by either man or nature are virtually zero?

Scientists across the nation are coming to grips with these questions as man struggles to understand not only the world of today but the world of tomorrow.

The problem would be easier if we could be sure the earth would cooperate. But the earth is undergoing constant change as it continues along its evolutionary course.

Radioactive waste products could be buried in the polar ice caps, for instance, where the ice would help dissipate the heat generated by radioactive decay. But will the ice caps still be there 1,000 years from now? What geological changes are in store for the great polar regions 10,000 years from now?

Of more immediate nature, we know relatively little about that region of the earth. What are the chances that the material might move through the ice—possibly through waterways—and return to man's environment in an uncontrolled form in a few years?

These problems illustrate the profound questions that must be answered regardless of the method finally selected.

A study recently completed for the Atomic Energy Commission by Battelle's Pacific Northwest Laboratories points out, for instance, that so little is known about climatic changes that it is "necessary at this time to consider the possibility that large parts of the coastal areas and some inland areas of the United States could be inundated during the next million years."

Such changes could leach out radioactive materials, or possibly unearth burial grounds through erosion.

Other questions include:

What would be the effect of earthquakes? Could faulting open pathways that would permit water to move through the disposal area, leaching out radioactive materials?

Many scientists believe another ice age will occur within a few thousand years and the great glaciers of the north will once again move south. Are they right, and if so, would the next ice age come sooner than expected?

Beyond the technical questions, there is the basic problem of the unpredictability of the human race.

Regardless of how safely the material is stored, there is a chance that man will eventually stumble across the burial ground, possibly searching for minerals that are considered worthless. One scientist told a radioactive waste seminar at the University of Arizona last month that no matter where the material is buried, "I can write a scenario in which somebody will stumble on it."

Not everybody shares that view, however. Several scientists at Lawrence Livermore Laboratory in California believe the material could be buried safely in a mined cavity, possibly several miles underground.

They contend that material could be lowered down the shaft into the cavity and water could be pumped in to cool the waste. After several years the cavity could be retired by plugging the shaft and allowing the cooling water to boil away.

After a few decades, the waste would melt the surrounding rock. In about 1,000 years, the waste would have decayed to the point that the rock would resolidify and remain permanently fixed in place. The Livermore scientists believe water—the medium through which radioactive materials could most likely be transported—would be kept away by the material's own heat.

However, the Battelle report suggested that new technology would be required to mine large cavities at great depths. It also noted that little is known at this point about the effect of the molten mass on surrounding rock.

Many scientists believe the answer lies in burying the material in salt formations. Salt is extremely soluble and its presence proves that the surrounding geological formation has isolated it from water.

The AEC has devoted a great deal of research to this concept, particularly burial in bedded salt. Dr. George Kennedy, a University of California at Los Angeles geologist, has argued however, that salt domes offer a better opportunity than bedded salt.

Salt domes are giant, subterranean salt formations, sometimes measuring several miles across and several miles deep. Salt beds generally are much shallower and are formed through sedimentation.

Primarily as a result of Kennedy's efforts, the AEC has awarded a research contract to the University of Texas to study burial in salt domes.

On the more exotic side, it has been suggested that radioactive waste products could be shot into space, and possibly into the sun.

But, aside from the problem of errant rockets (affectionately known as short shots), there are a number of technological problems that appear to have eliminated space disposal for the foreseeable future.

One of the more intriguing ideas now under study concerns deep-sea burial.

A growing number of scientists are interested in the idea of burying the waste in the dense bedrock below the seabed. This concept often is erroneously portrayed as simply dumping the material at sea, which is not even under consideration.

According to the deep-sea concept, holes could be drilled into the dense seabed, beneath about five miles of water, and the material placed in the bottom of the holes. The holes could then be sealed. The concept appeals to some scientists because it appears unlikely that such areas will ever be mined by man, and thus the chances of man stumbling across the burial grounds seem remote.

There is a fancier version of the seabed concept.

Considerable evidence has been collected in recent years in support of the theory of continental drift. This theory holds that the continents, as well as other large land masses, "float" on a relatively plastic layer of rock known as the earth's mantle.

As the continents (sometimes referred to as "tectonic plates") inch forward, other tectonic plates are "subducted" under the advancing continents.

According to one theory, if the waste could be buried in the deep subduction trenches, at exactly the right spot, it could be subducted under the advancing plate.

However, it is all theoretical at this point, since no one is certain just how the tectonic plates interact, and exactly where the "subduction" zones lie. Also, movement of the continents is extremely minute.

It is sobering to note the possible results of large amounts of radioactive material entering the ocean.

W. P. Bishop of New Mexico's Sandia Laboratories observed during the Arizona meeting recently that by the year 2050, more radioactive waste products will have been produced than could be diluted effectively by the worlds oceans.

In addition, not all of the problems associated with waste disposal are scientific.

Many of the issues are political.

The oceans, like outer space, belong to all the nations. Any attempt to bury this nation's waste products at sea would undoubtedly involve international agreements, and in all probability, disagreements.

Conversely, if international agreements can be reached, it may be possible to approach the problem of waste disposal on an international scale with various burial grounds serving many nations.

The cost involved in solving some of these problems will be substantial.

The Battelle report estimated that research and development for seabed disposal could range as high as $1 billion, with actual waste disposal running between $2 and $5 billion. The cost for research for this one project would be several times greater than the entire amount currently being spent for seabed studies of all types.

Time is also a factor.

The Battelle report estimated it would be at least 20 to 25 years before research could be completed on seabed disposal. Geological disposal, depending on the type, could be available within 15 to 35 years.

Few of the scientists and technicians working on radioactive waste disposal believe the answers to their questions will come quickly, easily or cheaply.

Nearly all contend that the issue of radioactive waste disposal will be solved, but the problem will be around for a long, long time.

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[From Science Magazine, June 28, 1974]

HOW SAFE THE SAFEGUARDS?

India's recent nuclear test was very much on the minds of U.S. officials as President Nixon announced agreements to supply Egypt and Israel with nuclear power reactors and fuel. Specific wording of the agreements is yet to be worked out, but officials of the Atomic Energy Commission say they intend to take special precautions to discourage Egypt and Israel from following the Indian example. "You can imagine, after India, that we're giving this very serious thought," one AEC safeguard expert said.

Much to the chagrin of the Canadian government, India was able to produce plutonium from a Canadian-supplied reactor, and then justify its use in the explosion of 18 May because of a semantic loophole in a bilateral agreement between the two countries. The nuclear aid agreement required only that the Canadian reactor be used for peaceful purposes. India—contrary to Canada's stated interpretation—defined the word "peaceful" to include explosives assertedly meant for mining and earth moving.

To discourage Egypt and Israel from following the Indian example, U.S. officials are considering requiring that spent reactor

fuel—containing plutonium as a waste product—be processed either in the United States or another nation that is a party to the Non-Proliferation Treaty. (The treaty explicitly prohibits the nonnuclear parties from building peaceful or military nuclear explosives; Egypt has signed but not ratified the treaty; Israel has done neither.)

Short of requiring that fuel be sent elsewhere for processing, U.S. officials are thinking about writing a specific prohibition on Plowshare-type devices into the Egyptian and Israeli agreements.

The latter alternative—while justifiable—would be inconsistent with past practice. Since 1955 the United States has signed bilateral nuclear aid agreements with 29 nations, none of which contain explicit prohibitions on using American nuclear aid to build peaceful nuclear explosives. In effect, all of the agreements contain the "Canadian loophole."

Fourteen of the 29 nations have signed and ratified the NPT, so for them the possibility of a dispute over the terms of the agreements is moot. Eight others have signed the treaty, indicating their intentions to abide by it, but have not yet ratified it. Seven others—Argentina, Brazil, India, Israel, Portugal, South Africa, and Spain—have refused to sign the treaty and the first three of these have defended what they regard as their right to build peaceful explosives.

AEC officials concede, as one of them puts it, that "there's room for argument" over the meaning of the agreements, which specify merely that U.S. equipment and materials not be used for military purposes. Another official, William L. Yeomans, the AEC's assistant director for agreements and liaison, acknowledges that Argentina and the other non-NPT nations "could make the same argument as India," but that to do so would "knowingly be contrary to the position we have made known." Like Canada, the United States considers peaceful and military nuclear devices to be one and the same and therefore forbidden under existing bilateral agreements.

In attempts to formalize this position, the State Department has quietly reiterated it in recent years in diplomatic notes to Brazil, Spain, Portugal, and South Africa. The notes have been sent without fanfare when a nuclear agreement has come due for renewal or when one of the non-NPT nations has requested an amendment. Egypt and Israel may receive similar notes.

"The way it works," one AEC source said, "is that we say, 'This is the note we're giving you.' They're rather compelled to say so if they disagree with it."

Asked whether the recipients had acknowledged the notes, this official said, "Some have and some haven't."

Three knowledgeable AEC authorities said they were not aware that Argentina had ever acknowledged the U.S. view that peaceful explosives are prohibited under the terms of the 1969 bilateral agreement signed with that country. Argentina has not received one of the reminder notes. The agreement, under which reactor fuel and heavy water have been sold to Argentina, comes due for renewal in 1999. Until then, it appears, safeguards on American aid will rest on the none-too-substantial foundation of an informal understanding to which Argentina may or may not subscribe.—R.G.

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[From the Washington Post]

IRAN EYES NUCLEAR WEAPONS

(By Ronald Koven)

The prospect of nuclear proliferation among the underdeveloped nations was heightened yesterday with a statement by the shah of Iran that he plans to develop nuclear weapons and a report from New Delhi that India may soon set off a hydrogen device.

The shah spoke in an interview with a French magazine on the eve of a state visit to France during which he is expected to follow through on an earlier general agreement to buy five French nuclear power stations.

France is not a signatory of the non-proliferation treaty banning the transfer of atomic weapons information to non-members of the nuclear weapons club. The French do not require any inspection of the nuclear power plants they sell to safeguard against the diversion of radioactive materials for weapons.

The Indian and Iranian statements are not unrelated. The shah has embarked on a multi-billion dollar arms purchasing program to make Iran the strongest conventional military power in the Persian Gulf and the western part of the Indian Ocean.

But India's recent nuclear explosion upset the shah's military advantage, at least in psychological terms, and apparently led him to conclude that he must also have a nuclear capability to make his claims to regional hegemony credible.

Asked by the French weekly business news magazine Les Informations whether he though Iran would have nuclear weapons some day, the shah replied: "Without any doubt, and sooner than one would think."

Iran plans to buy about 20 nuclear power plants altogether. The others are to be bought from such signers of the non-proliferation treaty as the United States and Canada.

In New Delhi, the United News of India, a news agency that is heavily influenced by the government, quoted informed sources as saying that as a follow up to India's first atomic blast on May 18, "India may achieve a more spectacular feat in the near future by exploding a thermonuclear hydrogen device." The Indian government issued no comment on the report.

The news agency said that Dr. Raja Ramanna, head of India's main nuclear research center, told a group of Indian scientists two weeks ago that another event is planned "which may thrill the nation more than the May 18 underground test."

United News of India said that the Indian Atomic Energy Commission is building a variable energy cyclotron in Calcutta that could make tritium, an istope used in hydrogen bombs.

U.S. Secretary of State Henry A. Kissinger has publicly stated that the first Indian explosion was set off with nuclear materials diverted from a Canadian-supplied nuclear reactor. Kissinger was speaking in defense of U.S. plans to provide Egypt with nuclear reactors. He argued that U.S. safeguards are far stricter than Canadian ones.

India has insisted that its explosion was only an experiment for peaceful purposes. But even the advanced nuclear nations have so far not had great success in finding efficient peaceful uses for nuclear explosions.

In Tokyo, Foreign Ministry sources were quoted by Agence France-Presse as saying that early ratification of the non-proliferation treaty by Japan had become more doubtful after the recent nuclear explosions by India, China and France. The sources were quoted as saying the Japanese Foreign Ministry has information that several other nations have been prompted by those tests over the past month to contemplate nuclear armaments more seriously than before.

Iran is expected to buy French-built Westinghouse reactors from France initially, but the shah is also interested in French development of fast breeder reactors, which produce more nuclear materials than they consume.

French officials have said that Iran may be invited to invest some of its burgeoning oil revenues in a uranium diffusion plant France plans to build at Tricastin in southern France with Italian, Belgian and Spanish help.

France is seeking a share of the lucrative Iranian conventional arms market, which has been dominated by the United States. Iran recently ordered six high-speed missile boats from France.

The shah is to be accompanied on his visit to France by Iran's general commissioner for atomic energy and is scheduled to tour the French nuclear research center at Saclay near Paris and a civilian nuclear production center at Marcoule in southern France.

In the past, the shah has maintained that the eventual depletion of Iran's oil resources made establishment of a nuclear energy industry imperative if his country is to become and remain an advanced nation. He has also argued that petroleum is too precious a commodity to be burned as a fuel and that other forms of energy should be developed so that oil can be used primarily as the basis for a large range of manufactured goods.

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EXHIBIT 5

[From the Washington Post, June 24, 1974]

SHAH DENIES PLANNING A-BOMBS

(By Jonathan C. Randal)

PARIS, June 24.—Shah Mohamed Reza Pahlevi arrived today for an official visit amid controversy over reported remarks suggesting that Iran is determined to develop its econnuclear weapons.

Only hours before the shah arrived for talks aimed at increasing exports to pay for Iranian oil imports, the Iranian embassy issued a formal denial.

"Made out of whole cloth and without any foundation," the embassy here said of the shah's remarks reported in the economic weekly Les Informations.

Asked if Iran hoped to have nuclear weapons one day, the weekly quoted the shah as having replied, "Without any doubt and sooner than one would think."

The shah has the reputation of saying many things to many people, and he is quoted in a long interview published in today's Le Monde as saying that it would be "ridiculous" for any country in the Middle East to possess nuclear arms.

He repeated his previous assertions that "our zone should be non-nuclear," while insisting on the need to draw up the exact frontiers of any nonnuclear region.

He maintained: "We could never have parity with the great nuclear powers," and warned that if "every little counrty tried to arm itself with even elementary nuclear weapons, then perhaps the national interests of any given country could demand it followed suit. But I would find that completely ridiculous."

President Valery Giscard d'Estaing showed every sign of taking the shah's visit with the utmost seriousness in view of France's paramount need to even out its growing oil-induced trade deficit with Iran.

Although a declared foe of protocol for domestic occasions, the new French president laid on the standard airport greeting ceremony complete with 101-gun salute and put the Grand Trianon at the Versailles Palace at the Iranian sovereign's disposal.

French officials expressed guarded hopes today that the scope of the trade deals worked out during the visit would exceed the $5 billion value that had been set in principle last February.

That loose arrangement, covering a decade, was announced just two days before the American-convened international energy conference in Washington, and constituted the kind of major government-to-government deal then being criticized by the United States. That however, was before the signature of the recent deal between the United States and Saudi Arabia.

In February, in what Giscard as finance minister said was the biggest contract between an oil-producing country and an in-

dustrial nation, France pledged to provide Iran with five 1,000-megawatt civilian nuclear power plants worth $1.2 billion by 1985 and a host of other projects.

They included a $500 million petrochemical complex, a $250 million plant for special steels, $1 billion worth of liquid gas tankers and a gas liquefaction plant, and help in building a natural-gas pipeline to Europe.

An indication of the shah's abiding interest in nuclear power plants was provided by the official schedule, which has him visiting both the Saclay nuclear research center and Marcoule, site of France's second-generation Phoenix fast-breeder reactor, which produces more enriched uranium than it uses.

French sources confirmed that the power plants under consideration for Iran would involve a Westinghouse license.

Even before the shah took the lead in raising oil prices last year, France was caught in an ever-growing deficit with Iran.

Last year, France imported about $280 million worth of goods—90 per cent of that being oil—while selling Iran only $180 million worth. That gap increased 61 per cent to around $50 million in the first quarter of 1974 because of quadrupled oil prices.

Much of France's interest in developing trade with the shah is based on a desire to increase oil purchases from the current 98 million barrels to 140 million barrels by 1976.

The size of Iran's population—32 million—and its existing industrial base strike the French as making it a better trade partner than the Arab oil producers many of which have small populations incapable of absorbing large amounts of capital goods and services that France can offer in exchange for the oil.

Among other projects the French hope may interest the shah are France's Secam color television system, a subway system and new airport for Tehran, telecommunications and cooperation on a gigantic natural-gas field recently discovered by the French state company, ERAP.

France hopes to firm up Iran's tentative order for three Concordes, and the French will fly the shah back to Tehran abroad the Franco-British supersonic airliner.

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[From the Washington Post, June 24, 1974]

THE PROLIFERATION OF PLUTONIUM

(By George F. Will)

More than a scarcity of food or energy or clean air or living space civilization is threatened by an exotic surplus. It is threatened by the proliferation of plutonium.

Bear this in mind as the government, floundering along miles behind events, debates the wisdom of giving Egypt a nuclear reactor. The problem is a lot bigger than that reactor.

Plutonium is the crucial—the explosive—component in nuclear weapons. It is a man-made element. Slightly more than three decades ago all the world's plutonium was in a cigar box in a U.S. laboratory.

But the rapid growth of the nuclear power industry, which is just beginning, will produce a terrifying amount of plutonium. Plutonium is a by-product of the fissioning of the fuel (enriched uranium) in the nuclear reactors that are used increasingly to generate electricity.

The process of enriching uranium is still very complex, secret, and expensive. But most nations can build (and if necessary, conceal) a reprocessing plant for extracting plutonium from used reactor fuel.

And a determined group or nation can get plutonium even if it has neither a reactor nor a reprocessing plant. It can steal it.

Once one has weapons-grade plutonium, construction of a bomb is a manageable task for a few competent physicists. If they need some tips they can send $4 to the U.S. Commerce Department for a book (declassified in 1961) that describes the technical problems involved in building the first atomic bombs.

The cover of the book says the government does not assume "any liabilities with respect to the use of, or for damages resulting from the use of, any information, apparatus, method, or process disclosed in this report."

(Cultural note: People were outraged in the mid-1960's when the cover of the New York Review of Books contained a sketch showing how to construct a Molotov cocktail.)

Looking ahead to the proliferation of electricity-generating reactors in the U.S., an expert says:

"Private companies will soon own more plutonium than exists in all the bombs of NATO. With the predictable growth and expansion of the nuclear industry, power companies will make a cumulative total of 10 million kilograms of plutonium within the last quarter of the twentieth century . . . Enough plutonium to make a weapon could be carried in a paper bag."

A small group of determined persons could steal that much from private industry here, or from public or private installations abroad. Indeed, that already may have happened. We can not know for sure.

We protect plutonium no more rigorously than we protect currency. And keeping track of plutonium as it is processed and used involves a significant margin of inaccuracy.

This is called MUF—material unaccounted for. Today, skillful pilfering of weapons-building amounts of plutonium MUF could go undetected here and around the world.

Nations or groups that do not have the patience for embezzling plutonium might try instead a bolder form of stealing, such as hijacking. By the end of this century a million kilograms of plutonium will be shipped annually by planes, trains, ships, and trucks between thousands of nuclear plants in more than 50 countries.

Brazil and Libya, perhaps with the help of India or France, soon may join the nuclear weapons club, which soon may be the least exclusive club in the world. According to some sober physicists, most nations could join.

It is possible that, say, Uganda could "go nuclear" in a few years. Getting the necessary physicists would be harder (but not all that much harder) than getting the necessary plutonium.

Imagine how stimulating life will be when a blithe spirit like Uganda's General Amin adds the tang of nuclear blackmail to his already frolicsome politics. But that thought, gruesome though it is, is not the grimmest thought one must consider.

The other day a terrorist bomb made a mess of Westminister Hall in London. It may not be long before the more sophisticated terrorist organizations will have bombs that can make a crater out of central London—or any other city.

Imagine the Irish Republic Army or El Fatah as a nuclear power. Someone once described the Nazis as "Neanderthals in airplanes." Neanderthals with nuclear weapons may be the ultimate 20th-century terror.

Mr. PROXMIRE. Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. PASTORE. Mr. President, how much time have we?

Mr. SPARKMAN. Thirty minutes on amendments and 30 minutes on the bill.

Mr. President, I yield to the Senator from Rhode Island such time as he requires.

The PRESIDING OFFICER. The Senator from Rhode Island is recognized.

Mr. PASTORE. Mr. President, I think I can make the point I need to make without scaring everyone to death. The central point here is the question of international cooperation.

I do not need a script to talk about it. I have been living with it since 1953. Under the Atomic Act of 1954, section 123(c) it is provided that where there is a cooperative agreement with another government that has to do with the peaceful atom, that agreement has to be sent up by the President of the United States with full safeguards that the material will not be used for military purposes.

It is true that under the law that agreement rests with Congress for a period of 30 days, which in some instances can be waived. It is also true that Congress does not have any positive relief, in the event they object to it, without introducing a bill that has to be signed by the President.

Section 123(d) has to do with military exchange. In that particular case it comes up for 60 days and unless it is rejected by Congress it becomes a consummated agreement.

That is all we are talking about. We are not talking about the emergency cooling system or security. The Senator from Rhode Island, together with the Senator from Tennessee, only last year made a visitation of our installations in Europe to make sure that the depository of the bombs we have in Europe would be in secure hands.

Mr. President, I apologize to no one for the diligence of the Joint Committee on Atomic Energy to see to it that the security of the country is protected.

What did I do when I received a letter from the Senator from Wisconsin (Mr. PROXMIRE) asking me to cosponsor his amendment? I called him on the telephone and said, "You do not want to do it on this bill. You are amending the atomic energy law. Leave it to me to amend the law." I made that clear to him. He said, "Yes, but we have to do it before June 30."

I know what the rush is. I introduced a bill this morning. We called a meeting of the committee this afternoon. Only one-half hour ago the Joint Committee on Atomic Energy, both the Senate section and the House section, reported the bill favorably. It will be on the calendar tomorrow in the Senate, and it will be on the calendar tomorrow in the House.

What does our bill do?

The bill that I sponsored relates to any cooperative agreement concerning a reactor where the heat power is more than 5 megawatts. Why do we say 5 megawatts? Because a small research reactor below 5 megawatts is no problem at all. There are some little research reactors in some of these developing countries, and I hope we do not have to debate them for a couple of days on the floor. It exempts them and leaves them under the law of section 123(c).

Every agreement involving more than 5 megawatts has to be sent by the President of the United States with the statement of all the safeguards as to the term, as to the security, and he has to pledge that it is to promote the security of the

country and will not disturb our security.

Under that provision that we are stipulating—and it will be on the calendar tomorrow—peaceful uses reactors of greater than 5 megawatts will come under 123(d), which is the military provision. In every case, whether it be civilian or whether it be military, the President will send up his recommendations and his agreement. It will stay with the Joint Committee, and we must report it back with a resolution as to whether we favor it or disfavor it, whether we reject it or approve it.

Then it goes on to provide that within 60 days from the time that the President sends it up, Congress must act either to reject or to approve, and if it does neither it takes effect after 60 days.

Why do we do that? So that we cannot filibuster.

Under the amendment that is being suggested here, they could talk about it until the cows come home, and here we are. We are in limbo. There is nothing in the amendment suggested by the Senator from Wisconsin that gives a termination date, a time limit within which we must act.

As I said, Mr. President, give the Joint Committee an opportunity to do what it needs to do. This is going to be the bill we could consider tomorrow.

If an agreement does come up, we at least have 30 days. I know it takes months before they negotiate an agreement, to begin with. This idea that we will have an agreement by June 30 is a lot of poppycock. They do not have the experience. They have not had the experience. It takes months to negotiate an agreement. Even if they do want to speed it up, we have got 30 days to hold it off, and it is up to the leadership of the Senate. They can do it this week if they want to. All they have to do is call up that bill at once and we can have it done the regular way.

So I say, Mr. President, without prolonging this debate any further, all I know is the time has come when we have to revise the law. I know the agreement with Egypt that was announced by the President has precipitated all this. I know that, and I know that it has to be debated on the floor of the Senate.

I say that the law should be amended to do that, but why should it be on a bill where it does not belong? Why should the atomic energy bill be amended by a bill that comes out of the Committee on Banking, Housing and Urban Affairs? Why do they not leave it for the Joint Committee to do it?

And this idea that JOHN PASTORE is a great guy, he is respected, he is a wonderful man, but now we will kick him around a little bit to show he does not do his job—I am not buying that. I have been around for 40 years, I have heard that one before, and all I am saying here is that I cannot understand the obstinacy in this case of insisting it be done this way when it can be done the regular way and be done expeditiously.

Now, what would happen? If you attach this amendment to this bill and it goes to the House, it is subject to a point of order and you have nothing; and if you go my way, there is a House bill on the calendar, just reported out, there is a Senate bill on our calender just reported unanimously by 18 Members, including the Senator from Vermont (Mr. AIKEN).

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. PASTORE. I yield.

Mr. SPARKMAN. The Senator mentioned going to the House, and it would be nongermane. Of course it would be nongermane under the rules of the House.

Furthermore, I understand this identical amendment was offered on the floor of the House, and the House Parliamentarian ruled it nongermane.

Mr. PASTORE. Of course, the big question here is, Do we want a headline or do we want an amendment?

Now, if we want a headline, go ahead this way. If we want an amendment, go my way.

Mr. President, unless this amendment is withdrawn, I am going to move that it be laid on the table.

Mr. AIKEN. Will the Senator yield?

Mr. PASTORE. I yield to the Senator from Vermont.

Mr. AIKEN. Might I suggest that one practical effect of the adoption of the amendment offered by the Senator from Wisconsin would be to turn the nuclear reactor business of the world over to other countries. At this moment, it happens to be France and Russia.

Mr. PASTORE. Well, that may happen, of course. They are in the game.

Mr. AIKEN. That is the practical effect.

Mr. PASTORE. But the Senator has got to realize that under our Nonproliferation Treaty, the nuclear powers have pledged to assist the nonnuclear powers in developing the peaceful atom.

Mr. AIKEN. Yes.

Mr. PASTORE. It is true we have to be careful how we do it. It is true that plutonium should not get in certain hands clandestinely and be used to manufacture a bomb. It is true, as we have heard the explanation, that one-third of the rods could be taken out, put in cooling water, then put in a cement barrel and sent to a second country, recycled, and then sent back. We would have to be half asleep if we did not do our job concerning all of these activities.

The point here is that there is one committee that knows what the safeguards ought to be, which is the Joint Committee on Atomic Energy, and if you want to do a service to the country do not take it away from the Joint Committee and put it in a committee which deals with banking and housing. It does not belong there.

It belong in the Joint Committee, and if it is amended and taken from the Joint Committee and put it in the committee handling banking, that is where the law will be amended.

Mr. SPARKMAN. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Alabama has 20 minutes remaining on the amendment.

Mr. SPARKMAN. I yield 20 minutes to the Senator from Illinois.

Mr. STEVENSON. Mr. President, I thank the Senator from Alabama.

I have been assured by the State Department that no cooperative agreement with either Israel or Egypt will be entered before the end of June and, in fact, it would be virtually impossible to enter an agreement before the middle of August.

As the Senator from Rhode Island has pointed out, once such an agreement is entered, it in referred to the Joint Atomic Energy Committee, of which the Senator is cochairman. He has also pointed out that such an agreement resides in the committee for a period of 30 days unless it is approved at some point during that period of time.

Mr. PASTORE. Or waived.

Mr. STEVENSON. Or waived.

I just wonder, if we cannot assume on the basis of the representations by the State Department that there will be no cooperative agreement with either of these countries before the end of June, whether the distinguished Senator from Rhode Island could assure the Senator from Wisconsin and others of us who are very concerned about this matter—I think the Senator from Wisconsin rightly raises it—that the Joint Committee would take no action to approve or waive its right to disapprove such an agreement before the end of July.

By the end of July, the Senate will have to take up the Export Control Act. The bill will be reported early in June. The permanent legislation will be back before the Senate before the end of July. If there is no danger of a cooperative agreement with either of these countries before then, it could be approved by the Joint Atomic Energy Committee, the Senator from Wisconsin would have an opportunity to take the matter up at that time and, in the meantime, we would have an opportunity for hearings and learn more about the entire issue.

So my question to the Senator from Rhode Island is whether he would or could give the Senate some assurance that the Joint Atomic Energy Committee would not take any action before the end of July to approve either of these proposed agreements.

Mr. PASTORE. The answer undisputably is in the affirmative. As a matter of fact, it is elementary. Here I am. I introduced a bill this morning. We had a meeting this afternoon and reported the bill to the Senate. We reported it to the House favorably. Does the Senator think for 1 minute if the administration tries to pull any shenanigans on me I am going to let that bill go through without the 30 previous days being in it. The administration would have to catch me half asleep to do that; and PASTORE only sleeps from 10 o'clock at night until 5 o'clock in the morning.

Mr. STEVENSON. Mr. President, since the Senator is well assured there will be no action or nonaction in the Joint Atomic Energy Committee and that there will be such agreement before the end of July, I have discussed this with the chairman of the Banking Committee and have mentioned to him that the Subcommittee on International Finance has over a long period of months, as he well

knows, held hearings on the subject of export controls.

So I would propose to the Senator from Wisconsin that before the end of July or before the Senate takes up the Export Control Act that we hold a day or two of hearings on this and some other subjects and, as the Senator from Wisconsin has suggested, have a little debate on this issue.

With that prospect, the assurances by the Senator from Rhode Island, and the assurance of some further hearings on export controls and transfers of nuclear power technology in particular, I wonder whether—this is a little premature to be taking up this matter now or to bring it to a vote—the Senator from Wisconsin would not consider withdrawing it and then, after some hearings later when we take up permanent legislation, and if he is so disposed, of bringing it up at that time.

Mr. PROXMIRE. Mr. President, let me reply on my time. I think the time on the other side is more limited than mine, and I do not have much more to say, so I will reply to the Senator from Illinois on my time.

I think what the Senator from Rhode Island and the Senator from Illinois say does have a considerable degree of logic, but I have a lot of trouble with some aspects of it.

Number one, I am concerned at the prospect of a veto. I think the Export Administration Act is a basic law that we have to have, that the President recognizes that, and that it would be unlikely that he would veto this bill.

I think that the likelihood of a veto of the Pastore bill may be greater; I do not know. The President may sign it, but I think because it is not tied to anything, it is not integrated with a bill that extends a basic law, for that reason I think it is a little more vulnerable and likely to be vetoed.

Then I had difficulty also—and I think the Senator from Rhode Island is wrong—when he talks about jurisdiction. This has nothing to do with the jurisdiction of his committee. We are not taking his jurisdiction away. I would certainly think the Senator from Illinois would be remiss, and I would be remiss, as a member of the committee—and anybody else on the Banking Committee—if we said that the Export Administration Act has to exclude anything that is within the jurisdiction of any other committee such as the Armed Services Committee, the Commerce Committee, the Atomic Energy Committee; otherwise we might as well forget the Export Administration Act and not have any jurisdiction at all.

Mr. PASTORE. Mr. President, will the Senator yield? The Senator is amending the Atomic Energy Law.

Mr. PROXMIRE. We are not taking anything away.

Mr. PASTORE. What gives life to the Joint Committee? Is it not the Atomic Energy law?

Mr. PROXMIRE. Of course.

Mr. PASTORE. Does not the Senator think we have the competence to know how it should be amended? Have I not suggested how it should be amended? But the Senator's amendment would require that if we wanted to give France three isotopes for medical reasons, we would have to have a debate on the floor of the Senate. This is ridiculous. The Senator would not want that.

Mr. PROXMIRE. I do not say that we have to have a debate on the floor. The Senator knows we pass hundreds of bills a week that are simple bills, that are passed automatically, and something like that could pass that way.

We agree to many treaties without debate.

Mr. PASTORE. All of a sudden it is simple. The Senator raised this as a grave question, and now it is simple.

Mr. PROXMIRE. We have an opportunity to step forward when we wish. I would feel very strongly that if we are going to provide this kind of technology to Egypt and Israel, that we ought to have an opportunity for an up-or-down vote in the Senate. Under the present law we are not sure of it.

Mr. STEVENSON. Mr. President, will the Senator yield to me?

This is just a resolution to continue the life of the Export Administration for 30 days.

Mr. PROXMIRE. That is correct.

Mr. STEVENSON. This resolution is not veto proof. It is not very important. The veto bill, if there is a bill, will be the permanent export control legislation. If that is the Senator's concern, it is a much better vehicle than this one.

Mr. PROXMIRE. I might say to the Senator from Illinois that if the President should veto this extension we would be on notice when the permanent bill came up that we had better attach it to that permanent bill. That would be the clearest kind of language that we cannot take some bill that the Joint Atomic Energy Committee reports out and pass that.

At any rate, Mr. President, there are differences in the amendment that I have proposed and the amendment that the Senator from Rhode Island has been discussing that, I think, are very significant.

He talked about the fact that his bill is on the calendar in the House and in the Senate, and the House and Senate, therefore, may act if the leadership is inclined to require action. They may not be so inclined. There may be a hold put on it. It may be held up for days, it may be filibustered. It may, as I say, be vetoed. It is vulnerable.

In the second place, his bill is limited to civilian reactor technology of a specified type, 5 thermal megawatts. He may be right. He is an expert on this. He certainly is more expert than this Senator, but he may not be right. I do not see any reason why we cannot cover all nuclear technology, materials, and cover them completely, and if we do so we do have a bill that goes through by unanimous consent.

Most of the time on most of these agreements, every Senator, every House Member, would have an opportunity to act if he wished to do so.

Furthermore, Mr. President, the main difficulty I have with the proposal of the Senator from Rhode Island is that he would require a negative action which would, in effect, kill the opportunity of the House or Senate to act.

Mr. PASTORE. Mr. President, will the Senator yield on that point?

Mr. PROXMIRE. This is not true of the proposal I make. It would be necessary, as it is in all treaties, for both the House and the Senate to affirm this before this technology would be given to a foreign country.

Mr. PASTORE. It is obvious that the Senator has not read my amendment—absolutely obvious. My amendment requires that when the agreement comes up for 30 days, the joint committee has to act. It is compulsory that it act. The word "shall" is used; "shall report back a rejection or approval with a concurrent resolution," that 60 days from the time the President sent it up, which gives at least——

Mr. PROXMIRE. Suppose they do not act?

Mr. PASTORE. Well, if we do not act, then I think the benefit of the doubt ought to go to the administration. I do not think we ought to kill a bill by inaction.

Mr. PROXMIRE. That is what I am talking about.

Mr. PASTORE. I am saying if we do not act within 60 days, then the agreement is consummated. It means Congress cannot make up its mind, so let the President have his way. If we cannot make up our minds on an international agreement in the Congress of the United States, why should we die on the vine. That is the reason why it is in there. It makes sense to me.

Mr. PROXMIRE. I think this could be at least as solemn as most of the treaties that we pass to require a two-thirds vote.

At any rate, I think the Senator has a perfectly proper, legitimate point that I would certainly consider to be one that would make me wish to modify my amendment when he talks about the fact that the proposal could be filibustered. I would agree that is wrong, and I would modify my amendment to apply the antifilibuster provisions of the Reorganization Act to it so they cannot be invoked; that is correct.

Mr. PASTORE. There we go, legislating on the floor.

Mr. PROXMIRE. Mr. President, I want to ask the Senator from Rhode Island how many cases his bill would cover. Would it cover, to the best of his knowledge, what we know so far about the agreement with Israel?

Mr. PASTORE. Absolutely. As far as the Egyptian case is concerned, the Israel case—did the Senator know the Israelis have a research reactor of 26 megawatts sold to them by France?

Mr. AIKEN. Mr. President, will the Senator yield to me?

Mr. PASTORE. I yield to the Senator from Vermont.

Mr. President, whose time are we on?

Mr. PROXMIRE. I am on my time, and I am glad to yield to the Senator from Vermont.

Mr. AIKEN. I simply want to point out there are several hundred reactors in process of being planned, prepared, many of them under construction in

heaven knows how many countries of the world.

The great majority of those reactors come from the U.S. companies. Three companies make most of them. As the Senator probably knows, some of them, I am advised, have facilities in his own State. So I was just wondering why we should force American firms to transfer their manufacturing business to other countries which they would almost have to do.

Mr. PROXMIRE. May I say to my good friend from Vermont that I do not think most Americans have any desire to push the nuclear technology business, and to feel that we must be outstanding in disclosing our nuclear technology and beating other countries to the proliferation of nuclear energy.

I think that we should be as conservative and careful in this respect as possible, do all we can by mutual agreement with other nuclear powers to try to persuade them to limit their dissemination of nuclear materials, and I think that one way to do it is to show as much restraint as we can in our legislation.

Mr. AIKEN. I am speaking only of the production of reactors for peaceful uses, which is proper, and I realize, too, that if we go too far in restricting arrangements with the other countries, that it would result in forcing the other countries to go elsewhere for their reactors. I believe that France and Russia would be the countries that would be the principal gainers.

Mr. PROXMIRE. Mr. President, I am delighted that the Joint Atomic Energy Committee has acted with such remarkable and unprecedented speed, has reported out legislation to the floors of the House of Representatives and the Senate so that, as the chairman of the committee has assured us on the floor tonight, we will have this on the calendar tomorrow in the House of Representatives and the Senate and will be in a position to act on it.

I think that is a great achievement, and I think the committee deserves credit for that, and I would hope that the leadership could find a way of scheduling that matter for consideration at the earliest possible moment, so that we can act on it.

Can the Senator from West Virginia give us any notion of how promptly the Senate could act on the Pastore bill if I should withdraw my amendment?

Mr. ROBERT C. BYRD. I may say in response to the distinguished Senator that the majority leader ultimately controls this matter, but I would imagine, if the Senator from Rhode Island wants quick action on the amendment, that the leadership will not have any problem in concurring with him in that regard; and I will assure the distinguished Senator from Wisconsin (Mr. PROXMIRE) that as far as I can I will make every effort to see that the matter is scheduled as soon as the Senator from Rhode Island is ready to move with it.

I hope that is satisfactory to the Senator from Wisconsin, because I know that he has his heart in the amendment, but I think he has made a contribution here, too, by virtue of the debate, and I would hope that he would withdraw his amendment. I think this would expedite not only the matter before the Senate, but in the long run expedite the action of the Senate on the matter which is being debated.

Mr. PROXMIRE. Will the Senator from Rhode Island yield?

Mr. PASTORE. Yes.

Mr. PROXMIRE. Would the Senator indicate his intentions on calling up this amendment or trying to persuade the leadership, I should say? He just said it was up to the leadership, and of course he is right, to call up these matters.

The leadership has indicated they would be more or less inclined to work with the Senator from Rhode Island.

Mr. PASTORE. I intend to impress upon the leadership the urgency of this matter, and, of course, the scheduling would be entirely up to them. Insofar as I am concerned, I will use all expedition. After all, I can only give the proof of today's activity: We introduced the bill this morning and reported back favorably, unanimously, this afternoon. Anyone that can beat that record, I will tip my hat to him.

Mr. PROXMIRE. Mr. President, I still feel very strongly that this Export Administration Act is the proper vehicle for many reasons, and I think it is important that we act very promptly. However, in view of the fact that the Senator from Rhode Island has indicated his determination to enact a change in the law that would give Congress the opportunity to act, and, more importantly, as far as I am concerned, give us a chance to amend his proposal on the floor, to provide what I think are further safeguards, and the further opportunity to assure our ability to act up or down on these agreements with Egypt and Israel, and any other country, under these circumstances, Mr. President, I withdraw my amendment.

Mr. STEVENSON. Mr. President, the questions raised by the proposed transfers of nuclear technology and materials to Egypt and Israel deserve careful consideration. Senator PROXMIRE is justifiably concerned, as I am, about the risks of nuclear proliferation. India's recent explosion of an atomic bomb points out the dangers.

Long ago, the Congress enacted the Export Administration Act to prevent exports of materials which could adversely affect the national security. The resolution which is now pending will temporarily extend that act for another 30 days. Within that time, the Congress will have a full opportunity to consider all matters pertaining to exports, including exports of nuclear materials and technology. However, in order to insure that questions pertaining to nuclear exports receive a complete airing before the Congress must act on permanent legislation, I intend to hold hearings on the issue on July 9 and 12 the Banking Subcommittee on International Finance. That way we will have an opportunity to evaluate fully all proposals dealing with this difficult and important matter and be in a position to legislate when the Export Administration bill comes to the floor.

The assurances we have received from the administration that it is extremely unlikely that it will sign a cooperation agreement with Egypt or Israel before August 15 gives us time to act on this subject in connection with the Export Administration Act after hearings.

The PRESIDING OFFICER. The yeas and nays having been ordered, the Senator will require unanimous consent to do so. Is there objection to the request of the Senator from Wisconsin? Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. MANSFIELD. Mr. President, I did not discuss this matter with the Senator from Rhode Island this morning when he made a 25-minute speech indicating what he had in mind. I am thoroughly in accord with his view that this is a matter which the Joint Atomic Energy Committee ought to consider. They have come forward with legislation. It is my understanding that it was reported unanimously today by the Joint Atomic Energy Committee, and I want to assure the distinguished Senator from Wisconsin that as far as the leadership on this side is concerned, we will make every effort to expedite the consideration of this much needed legislation. I think it is long overdue, and hopefully the Senate will have a chance to face up to it and consider amandments thereto before too long a period of time.

Mr. PASTORE. Mr. President, I ask unanimous consent that the Joint Committee on Atomic Energy may have until 12 o'clock midnight to report the bill.

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

Mr. STEVENSON. Mr. President, in line with the assurances which I gave to the Senator from Wisconsin——

The PRESIDING OFFICER (Mr. HUDDLESTON). Who yields time on the bill?

Mr. SPARKMAN. Mr. President, I yield the Senator 1 minute.

Mr. STEVENSON. In line with the assurances which I gave the Senator from Wisconsin earlier, the Subcommittee on International Finance of the Committee on Banking, Housing and Urban Affairs, which has general jurisdiction over export controls, will hold hearings on July 9 and July 12 on this subject.

Mr. PROXMIRE. Mr. President, I thank the Senator from Illinois for that announcement.

The PRESIDING OFFICER. The joint resolution is open to amendment. If there be no amendment to be proposed, the question is on the third reading of the joint resolution.

The joint resolution (H.J. Res. 1057) was ordered to be read a third time, and was read the third time.

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

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

The PRESIDING OFFICER (Mr. HUDDLESTON). All time having been yielded back, the question is, Shall the joint resolution pass?

The joint resolution (H.J. Res. 1057) was passed.

Mr. SPARKMAN. Mr. President, I

move to reconsider the vote by which the joint resolution was passed.

Mr. PACKWOOD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

## ORDER OF BUSINESS

Mr. GRIFFIN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The third assistant legislative clerk proceeded to call the roll.

Mr. HARRY F. BYRD, JR. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

## THE EXPORT-IMPORT BANK

Mr. HARRY F. BYRD, JR. Mr. President, earlier in the day I made some comments in regard to the Export-Import Bank, and in regard to the upcoming resolution to extend the life of the Export-Import Bank for 30 days.

During that discussion, I mentioned that I felt that the Bank had failed to cooperate with Congress in regard to huge loans to the Soviet Union. My comments were based on the action taken by the House of Representatives in putting restrictions on such loans.

Since then, I have talked with the President of the Export-Import Bank. He assures me that the loans which have been made by that Bank to the Soviet Union were ones on which commitments had been made by his predecessor. He also states that it would be his policy not to grant any more loans or make any more commitments to Russia until Congress has the opportunity to lay down a policy.

That, I think, is a very desirable attitude to be taken by the President of the Export-Import Bank.

He also is sending the Senator from Virginia a letter to state, in essence, what I have just related on the floor of the Senate. That being the case, I see no problem, so far as the Senator from Virginia is concerned, in handling this legislation tomorrow.

My main concern was that the proposed resolution not be used as a vehicle by which the bank could, during the period of extension, make more huge loans to Russia; but, apparently, that would not be the case.

I expect to get the letter from President Casey either this evening or tomorrow. Assuming the letter is satisfactory, and I have no reason to doubt that it will be, it occurs to me that the Export-Import Bank resolution could be handled expeditiously tomorrow morning.

## QUORUM CALL

Mr. HARRY F. BYRD, JR. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. HUDDLESTON). 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.

## EXECUTIVE SESSION

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

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

NOMINATIONS CONSIDERED EN BLOC

The PRESIDING OFFICER. The nominations on the Executive Calendar will be stated.

Mr. ROBERT C. BYRD. Mr. President, I ask that the nominations in the U.S. Air Force, the U.S. Army, the U.S. Navy, the Uniformed Services University of the Health Sciences; and the nominations placed on the Secretary's desk in the Air Force, in the Army, in the Navy, and in the Marines Corps all be considered en bloc.

The PRESIDING OFFICER. Without objection, the nominations are considered and confirmed en bloc.

## LEGISLATIVE SESSION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate resume the consideration of legislative business.

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

## ORDER TO PROCEED TO CONSIDERATION OF S. 424 WHEN SENATE RETURNS FOLLOWING RECESS ON JULY 8, 1974

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that, when the Senate returns following the recess on July 8, 1974, upon conclusion of routine morning business, the Senate proceed to the consideration of Calendar No. 848, S. 424, a bill providing for the management, protection, and development of the natural resource lands, and for other purposes.

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

## QUORUM CALL

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The third assistant legislative clerk proceeded to call the roll.

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

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

## TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT—CLOTURE MOTION

The Senate continued with the consideration of the bill (H.R. 14832) to provide for a temporary increase in the public debt limit.

Mr. GRIFFIN. Mr. President, notwithstanding the fact that H.R. 14832 is not now the pending business, I ask unanimous consent that I may file a cloture motion in connection therewith.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Michigan?

Mr. ROBERT C. BYRD. Mr President, reserving the right to object—and I shall not object—this cloture motion goes into the bill itself, does it not?

Mr. GRIFFIN. That is correct. The vote tomorrow, as I understand it, will be on the cloture motion that relates only to the Humphrey amendment. This is a motion that will invoke cloture on the bill itself.

Mr. ROBERT C. BYRD. I have no objection. The Senator would have that right tomorrow at such time as the bill is again before the Senate. By his offering of the cloture motion today, it will assure a vote on Thursday.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Michigan? The Chair hears none.

The cloture motion having been presented under rule XXII, the Chair, without objection, directs the clerk to read the motion.

The assistant legislative clerk read the cloture motion, as follows:

CLOTURE MOTION

We, the undersigned Senators, in accordance with the provisions of Rule XXII of the Standing Rules of the Senate, hereby move to bring to a close the debate upon H.R. 14832, an act to provide for a temporary increase in the public debt limit.

Wallace F. Bennett, Jesse Helms, Robert P. Griffin, James B. Allen, Dewey Bartlett, Edward J. Gurney, William L. Scott, Hugh Scott, Paul Fannin, Clifford P. Hansen, John Tower, Charles H. Percy, Hiram L. Fong, J. Glenn Beall, Pete V. Domenici, James A. McClure.

Mr. GRIFFIN. I thank the distinguished Senator very much.

## TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

The PRESIDING OFFICER. At this time the Senate will resume the consideration of the unfinished business which the clerk will state.

The assistant legislative clerk read as follows:

H.R. 14832, to provide for a temporary increase in the public debt limit.

The Senate resumed the consideration of the bill.

## ORDER FOR ADJOURNMENT UNTIL 10:30 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 10:30 a.m. tomorrow.

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

## ORDER OF BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I believe that an order has been entered for the recognition of the distinguished Senator from Wisconsin (Mr. PROX-

MIRE) tomorrow, right after the two leaders have been recognized; is that not correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. ROBERT C. BYRD. I thank the Chair.

## QUORUM CALL

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The 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.

## ORDER FOR CONSIDERATION OF THE EXPORT-IMPORT BANK ACT TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that immediately after the order for the recognition of Mr. PROXMIRE has been consummated on tomorrow, the Senate proceed to the consideration of the measure dealing with the Eximbank.

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

## ORDER FOR RECOGNITION OF SENATOR TUNNEY TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that upon the disposition of the measure dealing with the Eximbank tomorrow, if time remains between that action and the hour of 12 o'clock noon, the Senator from California (Mr. TUNNEY) be recognized for not to exceed 15 minutes.

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

## PROGRAM

Mr. ROBERT C. BYRD. Mr. President, tomorrow the Senate will convene at 10:30 a.m.

After the two leaders or their designees have been recognized under the standing order, the distinguished senior Senator from Wisconsin (Mr. PROXMIRE) will be recognized for not to exceed 15 minutes, after which the Senate will proceed to the consideration of the measure dealing with Eximbank.

Upon the disposition of that matter, the leadership may proceed to the resumption of the consideration of the unfinished business, or the leadership may at that time call up some other matter that has been cleared for action.

In any event, at 12 o'clock noon, the 1 hour for debate on the motion to invoke cloture on the amendment offered by Mr. HUMPHREY will begin running. At 1 p.m. the mandatory quorum call under rule XXII will occur. Upon the establishment of a quorum, the mandatory rollcall vote on the motion to invoke cloture will begin. That would be around 1:15 p.m.

Depending upon the outcome of that vote, the Senate will then be guided by the result of that vote. In any event, rollcall votes are expected throughout the afternoon tomorrow on the unfinished business, which is H.R. 14832, an act to provide for a temporary increase in the public debt limit.

## ADJOURNMENT TO 10:30 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 10:30 a.m. tomorrow.

The motion was agreed to; and at 6:20 p.m. the Senate adjourned until tomorrow, Wednesday, June 26, 1974, at 10:30 a.m.

## NOMINATIONS

Executive nominations received by the Senate, June 25, 1974:

DEPARTMENT OF TRANSPORTATION

Robert Henri Binder, of the District of Columbia, to be an Assistant Secretary of Transportation, vice John L. Hazard, resigned.

ENVIRONMENTAL PROTECTION AGENCY

James L. Agee, of Washington, to be an Assistant Administrator of the Environmental Protection Agency, vice David D. Dominick, resigned.

## CONFIRMATIONS

Executive nominations confirmed by Senate, June 25, 1974:

UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES

Philip O'Bryan Montgomery, Jr., of Texas, to be a member of the Board of Regents of the Uniformed Services University of the Health Sciences for the remainder of the term expiring May 1, 1977.

IN THE AIR FORCE

The following officer to be placed on the retired list in the grade indicated under the provisions of section 8962, title 10 of the United States Code:

*To be general*

Gen. John C. Meyer, [redacted] FR (major general, Regular Air Force) U.S. Air Force.

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

*To be general*

Lt. Gen. Louis T. Seith, [redacted] FR (major general, Regular Air Force) U.S. Air Force.

The following officer to be placed on the retired list in the grade indicated under the provisions of section 8962, title 10 of the United States Code:

*To be lieutenant general*

Lt. Gen. Duward L. Crow, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

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

*To be lieutenant general*

Maj. Gen. Marion L. Boswell, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

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

*To be lieutenant general*

Maj. Gen. Lee M. Paschall, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

The following officer to be placed on the retired list in the grade indicated under the provisions of section 8962, title 10 of the United States Code:

*To be lieutenant general*

Lt. Gen. Gordon T. Gould, Jr., [redacted] FR (major general, Regular Air Force), U.S. Air Force.

The following officer to be placed on the retired list in the grade indicated under the provisions of section 8962, title 10 of the United States Code:

*To be lieutenant general*

Lt. Gen. George S. Boylan, Jr., [redacted] FR (major general, Regular Air Force), U.S. Air Force.

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

*To be lieutenant general*

Maj. Gen. James A. Hill, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

The following officer to be placed on the retired list in the grade indicated under the provisions of section 8962, title 10 of the United States Code:

*To be general*

Gen. Jack J. Catton, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

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

*To be general*

Lt. Gen. William V. McBridge, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

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

*To be general*

Lt. Gen. Louis L. Wilson, Jr., [redacted] FR (major general, Regular Air Force), U.S. Air Force.

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

*To be lieutenant general*

Maj. Gen. John W. Pauly, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

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

*To be lieutenant general*

Maj. Gen. Bryce Poe II, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

The following officers for appointment in the Reserve of the Air Force to the grade indicated, under the provisions of chapters 35, 831, and 837, title 10, United States Code:

*To be brigadier general*

Col. Belisario D. J. Flores, [redacted] FG, Air National Guard.

Col. Charles L. Sullivan, [redacted] FG Air National Guard.

The following officer to be placed on the retired list in the grade indicated under the provisions of section 8962, title 10 of the United States Code:

*To be general*

Gen. Theodore R. Milton, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

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

*To be lieutenant general*

Maj. Gen. Ray B. Sitton, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

IN THE ARMY

The following-named officer to be placed on the retired list in grade indicated under the provisions of title 10, United States Code, section 3962:

*To be lieutenant general*

Lt. Gen. James William Sutherland, Jr., [redacted], Army of the United States (major general, U.S. Army).

The following-named officers to be placed on the retired list in grade indicated under the provisions of title 10, United States Code, section 3962:

*To be general*

Gen. Donald Vivian Bennett, [redacted], Army of the United States (major general, U.S. Army).

*To be lieutenant general*

Lt. Gen. Robert Ray Williams, [redacted], Army of the United States (major general, U.S. Army).

The following-named officer to be placed on the retired list in grade indicated under the provisions of title 10, United States Code, section 3962:

*To be lieutenant general*

Lt. Gen. Walter Edward Lotz, Jr., [redacted], Army of the United States (major general, U.S. Army).

The following-named officers to be placed on the retired list in grade indicated under the provisions of title 10, United States Code, section 3962:

*To be lieutenant general*

Lt. Gen. Walter Philip Leber, [redacted], Army of the United States (major general, U.S. Army).

Lt. Gen. Raymond Leroy Shoemaker, [redacted], Army of the United States (major general, U.S. Army).

The following-named Army Medical Department officer for temporary appointment to the Army of the United States, to the grade indicated, under the provisions of title 10, United States Code, sections 3442 and 3447:

*To be major general, Medical Corps*

Brig. Gen. William A. Boyson, [redacted], Army of the United States (colonel, Medical Corps, U.S. Army).

The following-named officer for appointment in the Regular Army of the United States, to the grade indicated, under the provisions of title 10, United States Code, sections 3284 and 3306:

*To be brigadier general, Medical Corps*

Brig. Gen. William A. Boyson, [redacted], Army of the United States (colonel, Medical Corps, U.S. Army).

The following U.S. Army Reserve officers named herein for promotion as Reserve commissioned officers of the Army, under the provisions of title 10, United States Code, section 593(a) and 3384:

*To be major general*

Brig. Gen. William Stanford Smith, Jr., [redacted].

Brig. Gen. Edwin Burgess Taylor, [redacted].

*To be brigadier general*

Col. Donald Jordon Brown, [redacted], Infantry.

Col. James Carroll Crutcher, [redacted], Medical Corps.

Col. John Sheldon Doud Eisenhower, [redacted], Infantry.

Col. Leo Joseph Golash, Jr., [redacted], Infantry.

Col. George E. McGovern, Jr., [redacted], Field Artillery.

Col. Paul Leonard O'Brien, [redacted], Military Intelligence.

Col. Konald Arthur Prem, [redacted], Medical Corps.

Col. Frederick John Scheer, [redacted], Civil Affairs.

The following Army National Guard of the United States officers named herein for promotion as Reserve commissioned officers of the Army under the provisions of title 10, United States Code, section 593(a) and 3385:

*To be major general*

Brig. Gen. Thomas K. Turnage, [redacted].

*To be brigadier general*

Col. Willard Keitg Carey, [redacted], Armor.

Col. James Clay Daugherty, [redacted], Infantry.

Col. Curney Joseph Dronet, [redacted], Infantry.

Col. Harold Lloyd Gwatney, [redacted], Infantry.

Col. George Robert Harper, [redacted], Armor.

Col. Francis Joseph Kelly, [redacted], Infantry.

Col. Collin McKinne, [redacted], Field Artillery.

Col. Gillespie V. Montgomery, [redacted], Transportation Corps.

Col. William Jesse Mullins, Jr., [redacted], Infantry.

Col. Delmer Hilton Nichols, [redacted], Armor.

Col. Salvador Monserrate Padilla, [redacted], Infantry.

Col. Lawson McKinney Safley, [redacted], Armor.

Col. Robert George Walker, [redacted], Infantry.

The following Army National Guard of the United States officers named herein for appointment as Reserve commissioned officers of the Army under the provisions of title 10, United States Code, section 293(a) and 3392:

*To be major general*

Col. John Richard Carson, [redacted], Ordnance Corps.

Brig. Gen. Wilfred Charles Menard, Jr., [redacted].

Brig. Gen. John James Womack, [redacted]

*To be brigadier general*

Col. William Kern Holoman, [redacted], Adjutant General's Corps.

Col. Reynold Lee Lopez, [redacted], Infantry.

Col. Franklin Everett Miles, [redacted], Air Defense Artillery.

Col. William John Sharrow, [redacted], Infantry.

Col. Charles Rhea Willis, [redacted], Armor.

IN THE NAVY

Adm. Thomas H. Moorer, U.S. Navy, for appointment to the grade of admiral, when retired, pursuant to the provisions of title 10, United States Code, section 5233.

Rear Adm. Pierre N. Charbonnet, Jr., U.S. Navy, having been designated for commands and other duties determined by the President to be within the contemplation of title 10, United States Code, section 5231, for appointment to the grade of vice admiral while so serving.

The following-named officers of the Navy for permanent promotion to the grade of rear admiral:

LINE

| | |
|---|---|
| Clyde C. Andrews | Francis T. Brown |
| Merrill H. Sappington | Jeffrey C. Metzel, Jr. |
| John M. DeLargy | Owen H. Oberg |
| Randolph W. King | William L. Harris, Jr. |
| Newton P. Foss | Kenneth E. Wilson, Jr. |
| Joseph L. Coleman | Wycliffe D. Toole, Jr. |
| Albert M. Sackett | John G. Williams, Jr. |
| Willis C. Barnes | Charles W. Cummings |
| Walter Dedrick | Paul J. Early |
| George F. Ellis, Jr. | Max K. Morris |
| William H. McLaughlin, Jr. | Fred H. Baughman |
| | Frank W. Corley, Jr. |
| Cleo N. Mitchell, Jr. | John S. Kern |
| Donald T. Poe | William N. Small |
| Richard E. Rumble | Robert P. Hilton |
| Warren H. O'Neil | George E. R. Kinnear II |
| Eugene J. Carroll, Jr. | Stanley S. Fine |
| Joseph W. Russel | William L. Read |
| Robert H. Wertheim | Burton H. Shepherd |
| Ferdinand B. Koch | Robert R. Monroe |
| Frank S. Haak | David F. Emerson |
| Justin E. Langille III | Ronald J. Hays |
| Robert J. Hanks | Thomas J. Bigley |
| John H. Nicholson | Kinnaird R. McKee |
| Warren M. Cone | |

MEDICAL CORPS

Philip O. Geib
Donald L. Custis
Edward J. Rupnik

SUPPLY CORPS

Eugene A. Grinstead, Jr.
Wendell McHenry, Jr.
Stuart J. Evans
William M. Oller

CIVIL ENGINEER CORPS

John R. Fisher
Kenneth P. Sears

DENTAL CORPS

Robert W. Elliott, Jr.

IN THE AIR FORCE

Air Force nominations beginning Wilfred K. Abbott, to be lieutenant colonel, and ending Carlton R. Williams, to be lieutenant colonel, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on May 28, 1974.

IN THE ARMY

Army nominations beginning Harold D. Adams, to be colonel, and ending Dominic L. Mayo, to be lieutenant colonel, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on May 29, 1974.

IN THE NAVY

Navy nominations beginning Paul Joseph Apocada, to be chief warrant officer, W–3, and ending Harold James Young, to be chief warrant officer, W–4, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on May 29, 1974.

Navy nominations beginning Robert R. Hood, to be ensign, and ending William E. Strain, to be a permanent commander and a temporary captain, which nominations were received by the Senate on June 3, 1974.

IN THE MARINE CORPS

Marine Corps nominations beginning Glen S. Aspinwall, to be colonel, and ending Clifford D. Warfield, to be colonel, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on May 29, 1974.

Marine Corps nominations of Forest L. Barbee and Daniel P. Hayes, to be second lieutenants, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on June 5, 1974.

Marine Corps nominations beginning Ronald M. Abshire, to be lieutenant colonel, and ending Calvin F. Simerly, to be lieutenant colonel, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on June 10, 1974.