The longstanding refusal by IRS to permit our direct review of administration of the Internal Revenue laws has been the subject of an ongoing dialogue and exchange of correspondence between our Office and IRS. The respective legal positions of IRS and our Office are essentially as follows:

Under the provisions of 26 U.S.C. 6103 tax returns are open to inspection only on order of the President and under rules and regulations prescribed by the Secretary of the Treasury or his delegate and approved by the President. Existing regulations applicable to our Office, 26 CFR 301.6103(a)-1(b)(f), provide that the inspection of a return "in connection with some matter officially before" the head of an establishment of the Federal Government may be permitted in the discretion of the Secretary or Commissioner upon written application of the head of the establishment.

It is the position of IRS that no matter involving the administration of the Internal Revenue laws, as distinguished from general housekeeping details and individual tax information related to an audit or investigation of activities of another department, can be "officially before" the General Accounting Office because:

1. The administration and enforcement of tax laws have been placed by law in the IRS and, citing 26 U.S.C. 6406, the findings of fact and the decisions of the Secretary or his delegate on the merits of any claim presented under the Internal Revenue laws or interest on credits or refunds shall not be subject to review by any other administrative or accounting officer, employee or agent of the Government;

2. The Congress, citing 26 U.S.C. 8001 *et seq.*, has given to the Joint Committee on Internal Revenue Taxation rather than the General Accounting Office the supervisory review of the administration of the revenue laws; and,

3. The General Accounting Office does not have authority to analyze management discretion in the collection of revenue.

With regard to the arguments made by IRS, it is conceded that we have no settlement authority over income tax claims and findings of fact relating to such claims. While section 7 of the act of July 31, 1894, 28 Stat. 206, 31 U.S.C. 71 requires GAO to receive and examine all accounts relating to the internal revenue, this provision does not apply to tax claims because under 26 U.S.C. 6406 the findings of fact and decisions on claims under the Internal Revenue Code are specifically exempted from review by an administrative or accounting officer of the United States.

However, in conducting an audit of IRS we would be concerned with audit not settlement authority. Our authority to audit, as distinguished from our authority to settle claims and accounts is clearly set forth in the law and it is this audit authority upon which we rely. Section 312 of the Budget and Accounting Act, 1921, 31 U.S.C. 53 provides that the Comptroller General shall investigate all matters relating to the receipt, disbursement, and application of public funds, and section 117a of the Budget and Accounting Procedures Act of 1950, 31 U.S.C. 67 reaffirms this authority to review receipts and expenditures with the added authority for the Comptroller General to determine the principles and procedures to be used in conducting such audits.

In addition section 111(d) of the Budget and Accounting Procedures Act of 1950, 31 U.S.C. 65(d) specifically provides that—

"The auditing for the Government, conducted by the Comptroller General of the United States as an agent of the Congress be directed at determining the extent to which accounting and related financial reporting fulfill the purposes specified, financial transactions have been consummated in accordance with laws, regulations or other legal requirements, and *adequate internal financial control over operations is exercised,* and afford an effective basis for the settlement of accounts of accountable officers." (Italic supplied.)

It is important to note that the audits under 31 U.S.C. 53 and 67 are for the purpose of reporting to Congress rather than for settlement or disallowance. In this regard, we audit and report to Congress on many Government activities which are financed by appropriated monies notwithstanding the fact that final settlement authority is lodged with the agency audited. Examples include our audit and report on certain activities of the Veterans Administration, the Department of Health, Education, and Welfare, the Atomic Energy Commission, the Railroad Retirement Board and the Government corporations.

The purpose of any GAO audit of IRS would be to ascertain and report to the Congress on the use by IRS of appropriated funds in its tax collection efforts. This would in no way involve review of tax claims and decisions with a view to set aside or change decisions which under the law are final when made by IRS. Similarly, such an audit of IRS would not entail any supervision of the procedures followed in making tax determinations. This is not to say that our audit reports would not advise the Congress, if necessary of weaknesses in procedures followed but we would not actually supervise these procedures. Therefore, the 26 U.S.C. 6406 authority of IRS over tax determinations does not in any way preclude audits of IRS under 31 U.S.C. 53, 67.

The argument is made by IRS that the Congress has given the Joint Committee on Internal Revenue Taxation rather than GAO the supervisory review of the administration of the revenue laws. The Joint Committee was established by the Revenue Act of 1926, 26 U.S.C. 8001–8023, and its statutory functions include the investigation of the administration of taxes by IRS and the investigation of measures and methods looking forward toward simplification of the tax law. We perceive no basis for the argument that the establishment of the Joint Committee preempted the field in the review of IRS. Certainly the law does not specifically indicate such preemption and parenthetically it has never been argued that the legislative oversight of the departments by the standing Committees of the Congress precludes GAO review of the activities of such departments.

Thirdly, it is argued that GAO does not have authority to analyze the exercise of management discretion in the collection of revenue. Much is made over the fact that when enacted section 206 of the Legislative Reorganization Act, 31 U.S.C. 60, provided for a GAO "expenditure analysis" rather than an "administration management analysis" that was provided for in the Senate-passed version of the bill. It is clear that the language enacted is designed to broaden GAO review and it does not in any manner preclude GAO audit of IRS.

The language of 31 U.S.C. 67 provides that "Except as otherwise specifically provided by law" the financial transactions of the agencies shall be audited by GAO in accordance with such principles and procedures and under such rules and regulations as may be prescribed by the Comptroller General. The only specific exception provided by law which applies to IRS is 26 U.S.C. 6406, which makes the findings of fact and decision on claims under revenue laws exempt from GAO review. It is therefore our position that except for the restrictions of 26 U.S.C. 6406, GAO has authority to conduct audits of IRS. As already pointed out a GAO audit would not concern itself with the matters covered by 26 U.S.C. 6406. Accordingly, it is our view that we have authority to do management-type audits of IRS.

In summary, it is our view that 26 U.S.C. 6103 does not require IRS to deny us access to tax returns and that the reasons accepted by IRS for allowing certain agencies access under the regulations found at 26 CFR 301.6103(a)-100-109 have particular validity as a basis for allowing GAO access. In fact, IRS even permits us to have access to the tax returns we need to see in connection with any other audits we perform.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

HOUSE OF REPRESENTATIVES—*Thursday, April 11, 1974*

The House met at 12 o'clock noon.

The Reverend Father Joseph F. Thorning, D.D., Ph. D., honorary professor of sociology, economics, and international relations, Pontifical University of Chile, offered the following prayer:

Heavenly Father, Author of light and of love, let the light of Thy countenance shine brightly upon the Speaker of this House and upon all the distinguished members of legislative bodies throughout the Western Hemisphere, including Canada.

Grant a special blessing, we beseech Thee, upon the President of the United States of America and upon the chief executives of the American Republics that their programs of partnership may be fruitful.

Almighty God, we pray that, as a result of brotherly love and cooperation, this inter-American partnership program may bring better education, improved housing, more robust health, and nutritious food to the peoples of the Western Hemisphere, including the divine blessings of free elections to the noble people of all races and religions in Cuba.

Vouchsafe, moreover, dear Saviour, that a fair distribution of rewards for labor and prayer may be granted, not only to the owners and managers of farms, factories, banks, and merchandising centers, but also to the conscientious, hardworking producers of copper, fruits, grains, sugar, coffee, long and short staple cotton, cattle, poultry, fibers, and other forest products, petroleum in all its myriad forms, hydroelectric energy, thermonuclear force, particularly for peaceable, constructive purposes, and such therapeutic creations that may be helpful to human beings of all ages. And, do not overlook, beloved Christ of the Andes, the fishermen who go down to the sea in ships like Paul and Silas as of old, their wives and their children who want to see them again.

It is with humility and thankfulness and a deep sense of responsibility that we seek these divine graces and favors on the 30th official celebration of Pan

American Day with our leaders in this body today. Amen.

THE JOURNAL

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

Without objection, the Journal stands approved.

There was no objection.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate had passed without amendment a bill of the House of the following title:

H.R. 12109. An act to amend the District of Columbia Self-Government and Governmental Reorganization Act to clarify the provision relating to the referendum on the issue of the advisory neighborhood councils.

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

S. 3062. An act entitled the "Disaster Relief Act Amendments of 1974";

S. 3304. An act to authorize the Secretary of State or such officer as he may designate to conclude an agreement with the People's Republic of China for indemnification for any loss or damage to objects in the "Exhibition of the Archeological Finds of the People's Republic of China" while in the possession of the Government of the United States; and

S. Con. Res. 81. Concurrent resolution relating to unaccounted for personnel captured, killed, or missing during the Indochina conflict.

THE REVEREND FATHER JOSEPH F. THORNING

(Mr. BYRON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BYRON. Mr. Speaker, it gives me great pleasure to welcome back the Reverend Father Joseph Thorning on the occasion of his annual visit with us to mark the observance of Pan American Day. Since Father Thorning is a distinguished citizen of the world and a resident of the district I represent, I am especially proud to be associated with him and his well-known work throughout the Western Hemisphere. I will not recite Father Thorning's work or his many activities on behalf of our Latin American neighbors. There are few people today who can be described as men of the world and men of letters in the same breath. Father Thorning is one of these men, a genre more associated with times past than the 20th century. And yet "El Padre" is a man of the modern world who is cognizant of the events of the day throughout the hemisphere and is eminently qualified to analyze them in depth for us laymen. These are rare and unique gifts.

Mr. Speaker, this day marks a long association over many years with the Republics of America and Father Thorning. I always look forward to this day and the opportunity of visiting with Father Thorning, one of our Republic's most distinguished citizens.

PURCHASE OF VICE-PRESIDENTIAL PAPERS OF RICHARD M. NIXON

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

Mr. PASSMAN. Mr. Speaker, following up on my statement of yesterday, this is an addition. This is the telegram which I sent on April 11, 1974, to the Honorable Richard M. Nixon, President, the White House, Washington, D.C.:

APRIL 11, 1974.

HON. RICHARD M. NIXON,
The President,
The White House,
Washington, D.C.:

Reference information furnished in my telegram of April 9, 1974, relative to a prominent citizen of the Fifth Congressional District of Louisiana desiring to purchase your Vice Presidential papers for One Million Dollars, the matter is now much firmer. Honorable Gordon E. Dore of Crowley, Louisiana, Member of the Louisiana State University Board of Directors is one of the prime movers in the effort to obtain your Vice Presidential papers. They are desirous of meeting with your representative at an early date to discuss the matter. The papers will be used for publication, a book, and finally will be turned over to the Louisiana State University with a Richard M. Nixon Library addition. May I hear from you, sir, so that your comments may be conveyed to these Louisiana businessmen.

Respectfully,

OTTO E. PASSMAN,
Member of Congress, Fifth District, Louisiana.

The firm offer, Mr. Speaker, is $1 million for the Vice-Presidential papers.

IN DEFENSE OF WAYNE HAYS

(Mr. WAGGONNER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WAGGONNER. Mr. Speaker, you know there always seems to be someone in the Congress that becomes the target of abuse; this time it looks like the gentleman from Ohio, WAYNE HAYS, is the one chosen to be picked on.

Knowing WAYNE as I do, you can bet one thing—they could not have picked a tougher opponent. WAYNE is equal to the fight.

Say what you will about WAYNE HAYS, I cannot help but think that he must be doing something right because it is for darn sure he has got the right people squealing. Anyone that has Common Cause blasting them, cannot be all bad.

There will be some, to be sure, who will kick WAYNE HAYS. But the House owes the distinguished chairman of the House Administration Committee more than it can repay, and you can be certain that his friends—and there are many—will be standing firm. As for me, Mr. Speaker, let the record show I am and will continue to count myself as his friend and will stand with him.

REMARKS ON MEAT PRICES BY THE HONORABLE JOSEPH P. VIGORITO, 24TH DISTRICT OF PENNSYLVANIA

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

Mr. VIGORITO. Mr. Speaker, as chairman of the House Agriculture Subcommittee on Domestic Marketing and Consumer Relations, I would like to briefly report on the hearings I held recently on meat prices.

I initially sought spokesmen from all segments of the meat industry to explain why there were such large net increases in beef prices between January and December 1973, while at the same time beef steers actually were selling for less in December 1973 than in January of the same year.

During the course of the hearings, my subcommittee received testimony from cattlemen, feedlot operators, feed grain dealers, and consumer groups. Conspicuous by their absence were the middlemen, meatpackers, and retail food store representatives. Witness after witness described the losses cattlemen and cattle feeders have been taking since last September; to the tune of about $3.5 billion.

While a segment of the meat industry appeared in force to tell of their woes, the middlemen and retailers never showed up to defend accusations that the prices they received recently for meat were excessive.

Today I would like to repeat my statement made at the subcommittee hearings, that I will again hold meat price hearings later this year to determine who has profited by the rapid increases in the price of meat. At those hearings, I specifically want the testimony of the middlemen and retailers of the meat industry.

I am confident that the food chains and meatpackers will have the presence of mind to come and tell their side of the story so that the committee can hear the whole truth on meat prices and then decide what action is needed to alleviate the problem.

WAYNE HAYS AN ABLE FIGHTER

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

Mr. SIKES. Mr. Speaker, our distinguished colleague, WAYNE HAYS, is a very unusual man. He possesses an abundance of courage and doesn't hesitate to use it where needed, even though sensitive toes may get stepped on. This is reflected in the voluminous news coverage which he has recently received.

It is a little hard to determine whether this is intended to be laudatory. Some of it is, some of it is not. It is like walking in the forest and seeing something you cannot quite make out. You poke it with a stick to see if it bites before you pick it up.

WAYNE HAYS deserves laudatory comments from whatever source. He has done more than anyone else in years toward putting the fiscal house of the

Congress in order. That is no small undertaking. In this effort he needs more help and less criticism. Let us be glad we have an able fighter like WAYNE HAYS in the Congress.

FATHER THORNING

(Mr. POAGE asked and was given permission to address the House for 1 minute.)

Mr. POAGE. Mr. Speaker, I simply want to take note of the fact that Father Thorning delivered the invocation this morning. He is not a citizen of Texas; I wish he were; but he is well known in our State. He has for many years contributed greatly to the development of our rural areas in America and all over the world.

Father Thorning is one of the individuals who finds something to do and does it and does it well wherever he goes. I am happy to say that he has devoted his very considerable abilities to help the rural people of the world in such a fine way. I am delighted that he could be with us.

ADVICE TO THE PRESIDENT

(Mr. PEYSER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PEYSER. Mr. Speaker, I have stated on many occasions since the impeachment question has been under investigation by the House Judiciary Committee that I will not prejudge the President nor will I indicate whether I think an impeachable crime has been committed until the Judiciary Committee makes its report to the Congress. However, I feel it is of the utmost importance that the President realize that many Republicans, not just those on the Judiciary Committee, want and, in fact, are demanding that he release the tapes and other requested information to the committee.

The President has said on a number of occasions that "dragging out the impeachment procedure drags down America."

I agree.

Mr. President, give up the tapes and trust the members of the Judiciary Committee to protect the interests of our country. They too are as are all Members of Congress sworn to uphold and protect the Constitution of the United States.

I know you believe in our system of government. I am urging you to tell your lawyers not to continue to challenge it.

PERMISSION FOR COMMITTEE ON SCIENCE AND ASTRONAUTICS TO HAVE UNTIL MIDNIGHT MONDAY, APRIL 15, TO FILE A REPORT ON H.R. 13999, AUTHORIZING APPROPRIATIONS FOR NATIONAL SCIENCE FOUNDATION

Mr. McFALL. Mr. Speaker, I ask unanimous consent that the Committee on Science and Astronautics may have until midnight, Monday, April 15, 1974, to file a report on H.R. 13999, to authorize appropriations for the National Science Foundation.

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

There was no objection.

STATEMENT ON WAGE AND PRICE CONTROLS

(Mr. STEIGER of Arizona asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. STEIGER of Arizona. Mr. Speaker, with inflation rising at a growing clip, and more and more consumer goods becoming in short supply, it is more obvious than ever that wage and price controls ought to be scrapped.

Not only have they not helped curb inflation as they were supposed to do, but in many cases they have spurred it on. And the cost to the taxpayer for administration of this unworkable program from August 1971 to the present is nearly $200 million.

Not only is inflation still running rampant since wage and price controls began, but we are also facing acute shortages of many consumer items because when a producer is told he cannot raise prices, he stops producing low-profit items or he stockpiles them.

In a recent survey of my constituents, I received nearly 17,000 replies. I cannot begin to tell you how many hundreds of respondents cited shortages of such basic consumer goods as toilet paper, raisins, almonds, cranberries, cereal products, aluminum, and building materials. Many of these shortages can be attributed directly to wage and price controls.

I believe in a free economy. The American economy will fare much better under the free enterprise system and the law of supply and demand. We know from this program that a partially controlled economy cannot work. Only a free functioning economy can solve the economic problems we are faced with today.

IMPEACHMENT INQUIRY A PARTISAN MATTER

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

Mr. HOGAN. Mr. Speaker, if there was any doubt that the impeachment inquiry was a partisan matter, that doubt was resolved this morning in the meeting of the House Committee on the Judiciary. Previous to the meeting a Democratic caucus of the members of the committee was held, and everything was agreed as to what would happen during the official Judiciary meeting, and so far everything has run on schedule, as all good railroads should. All our votes this morning were by a virtual partisan vote.

This may be hard for the Members of the House to believe, but this morning we had 30 minutes, 1 minute per member, to debate one of the most important constitutional questions ever facing the Republic, a question which goes to the very heart of the separation of powers. That question is the subpenaing of papers and materials from the President of the United States. We had 1 minute of debate per member. At the same time we were supposed to read and digest a complex, 12-page legal memorandum of justification for the subpena which had been handed to us for the first time at the meeting.

No wonder the American people have such a low regard of Congress when we do things with so little consideration. And why? Because we have to go on our Easter recess today.

IMPEACHMENT PROCEEDINGS AN INQUISITION

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

Mr. DEVINE. Mr. Speaker, following up on the remarks of the gentleman from Maryland (Mr. HOGAN) having to do with the activities of the Committee on the Judiciary today, I think before we go on our Easter recess we should all know that yesterday afternoon in the House Subcommittee on Accounts of the Committee on House Administration that the impeachment inquiry committee was granted, by a partisan vote, I should say, $733,000 more money to add to the $1 million we have already given them to conduct the impeachment inquiry. The additional $733,000 is supposed to last them until June 30.

And it is interesting to observe, during the hearing, I asked Chairman RODINO if the White House would turn over all the tapes requested, whether that would satisfy his committee. He responded that it would not, and that they would ask for yet more material. Mr. Speaker, this whole stable full of lawyers are more interested in perpetuating the inquiry into a career, rather than coming to a conclusion based on the thousands of pieces of evidence already in their custody.

CALL OF THE HOUSE

Mr. RONCALLO of New York. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. McFALL. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

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

[Roll No. 166]

Abzug	Burke, Calif.	Diggs
Addabbo	Carey, N.Y.	Dingell
Anderson, Ill.	Carter	Dorn
Arends	Chisholm	Drinan
Ashbrook	Clark	Dulski
Ashley	Clay	Esch
Badillo	Collier	Fascell
Barrett	Conlan	Flynt
Bevill	Conte	Ford
Biaggi	Conyers	Frelinghuysen
Boland	Corman	Frey
Bolling	Cotter	Fulton
Bowen	Danielson	Giaimo
Brasco	de la Garza	Gibbons
Broomfield	Dellums	Ginn
Broyhill, Va.	Derwinski	Gray

Griffiths	Meeds	Shipley
Gubser	Minshall, Ohio	Stanton,
Hanley	Mizell	J. William
Hanna	Murphy, N.Y.	Stanton,
Harrington	Nichols	James V.
Hébert	O'Hara	Steiger, Wis.
Helstoski	O'Neill	Stuckey
Holifield	Patman	Sullivan
Jones, Ala.	Patten	Teague
Jones, Okla.	Pepper	Thompson, N.J.
Karth	Pickle	Tiernan
Kazen	Podell	Towell, Nev.
Landrum	Powell, Ohio	Udall
Lehman	Price, Ill.	Wiggins
Long, La.	Quillen	Williams
McDade	Reid	Wilson,
McEwen	Riegle	Charles, Tex.
Macdonald	Roe	Wolff
Martin, Nebr.	Rooney, N.Y.	Wydler
Mathis, Ga.	Rose	Zablocki

The SPEAKER. On this rollcall 327 Members have recorded their presence by electronic device, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

COMMODITY FUTURES TRADING COMMISSION ACT OF 1974

Mr. POAGE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 13113) to amend the Commodity Exchange Act to strengthen the regulation of futures trading, to bring all agricultural and other commodities traded on exchanges under regulation, and for other purposes.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the Committee resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 13113, with Mr. HAWKINS in the chair

The Clerk read the title of the bill.

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

The CHAIRMAN. Under the rule, the gentleman from Texas (Mr. POAGE) will be recognized for 1 hour, and the gentleman from Virginia (Mr. WAMPLER) will be recognized for 1 hour.

The Chair now recognizes the gentleman from Texas (Mr. POAGE).

Mr. POAGE. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, H.R. 13113 is major legislation strengthening the Federal law regulating commodity futures exchanges and futures trading.

Futures trading is a very technical and volatile industry and one that affects the entire food and agricultural chain strongly.

A futures contract is a standardized agreement to either buy or sell commodities at some time in the future. The price and quality of the commodity are fixed. Because the contract is standardized, it can be liquidated by offset provided the offsetting transaction takes place on an exchange.

The commodity trading industry itself is old, dating back to the early 1700's in this country, although futures trading did not start here until about 1860. Since 1922 it has been regulated on a limited basis by an agency in the Department of Agriculture—the Commodity Exchange Authority under the Secretary of Agriculture. This is a small agency with about 180 employees.

Last September, I and several other members of the committee began taking an informal look at the practices and regulation of the industry. In some informal meetings we had with the Federal regulators, exchange officials, users and farm groups we found that everyone had some complaints about the present law. They were not all the same complaints and there were a number of different views toward what should be done to make the law better—but there was general agreement that wholesale changes were necessary.

As a result of these meetings the committee staff drew up several different proposals as to proposed amendments to the present CEA Act. Without endorsing any of these proposals, the committee held 2 weeks of hearings in October and received testimony from a broad group of witnesses. Following that I appointed a special ad hoc subcommittee, chaired by Mr. STUBBLEFIELD, which met over a space of 2 months to write a bill which was introduced December 13.

This bill, H.R. 11955, was again the subject of 2 weeks of hearings before the committee the latter part of January. Through February and up into the first week of March, the committee met in open markup sessions and adopted about 50 amendments which were then incorporated into a clean bill, H.R. 13113. It provides the first complete overhaul of Federal regulation of commodity futures markets since 1922.

Between 80–90 percent of all futures traded are agricultural commodities. However, not all commodity futures are regulated and the ones that are, are named specifically in the present act. Federal regulation on trading of these regulated futures is based on a system of weak Federal regulation with the exchanges also responsible for enforcing their own rules to keep down manipulation, price gouging, cheating of customers.

I should point out here there is a great deal of confusion about the relationship between the securities industry and the futures industry. Some people view them as identical. In fact, they are only alike in two major respects: trading on both securities and futures takes place on exchanges and both involve investment activities by investors seeking to profit from the market in a given security or future.

That is about where the similarity ends. Commodity exchanges are much older institutions than securities exchanges. Transactions in securities normally involve an element of ownership in a corporation, but a future is a contract right terminable at a time certain. While we speak of margins with both institutions, they are totally different in concept. A margin in a security is essentially regulated by the Federal Government as an extension of credit, but a margin in a futures contract is a guarantee of performance. A futures trader is liable for margin calls during the life of the contract, based on the value of the contract.

Futures exchanges were set up to facilitate hedging. That is, to enable people such as a miller or elevator operator to smooth out their price risk in owning agricultural commodities which are subject to seasonal production problems as well as floods, dust storms, and hail—all of which affect the price at any given time of the year. This is and remains the major reason for the existence of commodity exchanges, and the justification for allowing speculation is that it provides the necessary liquidity to any market which insures that whenever a miller, for example, wants to buy or sell a futures contract there are investors willing to speculate on the opposite side. The whole process works to lower the cost of doing business in agriculture and other commodities traded as futures and one result is cheaper prices to consumers.

This theory works out pretty well in practice. However, as the committee found during its investigation and hearings, there are a number of problems facing the industry.

Futures trading is growing by leaps and bounds. The most recent data shows futures trading is over half a trillion dollars in terms of dollar amounts represented by the contracts traded. This is not a totally accurate picture since only 3 percent of those contracts actually result in delivery of the physical commodity. Still—by this comparison—the industry is approaching twice the size of the securities industry which last year amounted to some $300 billion. Because of the way the present law is written, futures traded in several exchanges are simply unregulated by either Federal or State law, and the volume of trading in these nonregulated futures has nearly quadrupled the last 5 years. During this period, CEA actually declined in total number of employees and its internal bureaucracy is such that it is simply unable to move fast enough or effectively enough under the present act and with its present powers to insure that there has been no market manipulation or other practices that conflict with the public interest.

Regulation by the exchanges is also not working as well as it should, and partly as a result of technicalities of present law the exchanges may be cutting back on their self-regulatory activities when they should be increasing their efforts in today's markets. In the nonregulated commodities there has been an opportunity for confidence games and fly-by-night operations to take unsophisticated investors into phony investment schemes. One firm took $71 million of its customer's money with it when it collapsed last year.

However, some of the problems the public has heard stated as a reason for more regulation are not the result of problems of the law but of the simple economic fact that we no longer have Government surpluses of grains and other commodities. Thus, the markets no longer have reserves to level out prices. This often leads to wide price swings.

This bill seeks to answer legitimate problems where the present law is deficient, and the committee has also tried to deal with the possible problems on the immediate horizon. To remedy the defects of inedaquate regulation, H.R. 13113 establishes an independent commission consisting of the Secretary of Agriculture and four members appointed from the general public on a bipartisan basis. Any of the Commissioners, including the Secretary, could be Chairman of the Commission subject to the consent of the Senate. The Commission would have its own budget, own legal staff, and administrative law judges. It would have new powers—some of which are similar to powers the SEC already has put tailored to the more volatile futures markets. The Commission would have injunctive authority, authority to obtain administrative fines up to $100,000, ability to designate multiple delivery points, authority to regulate brokers trading for their own accounts and customers and authority over contract market rules on a day-to-day basis as well as direct emergency situations. The bill authorizes the establishment of an association of commodity dealers or persons registered under the act similar to NASD in the securities industry. It brings all commodity futures under Federal regulation, sets up new customer protection features, and makes all exchanges responsible to the public.

At this point in the RECORD I would like to have an informal summary of the bill inserted, which is also available in the committee report:

SUMMARY OF THE MAJOR PROVISIONS OF H.R. 13113, A BILL TO AMEND THE COMMODITY EXCHANGE ACT

The bill is drafted in the form of amendments to the Commodity Exchange Act (7 U.S.C. 1 *et seq.*) and contains four titles.

Title I creates a new five man regulatory commission with certain administrative ties to the Department of Agriculture to be called the "Commodity Futures Trading Commission"—consisting of four public members and the Secretary of Agriculture or his designee. The four public members of the Commission will be appointed by the President from the general public and confirmed by the Senate. Any of the five members of the Commission can be separately nominated by the President as Chairman of the Commission, although such nomination would be subject to separate Senate approval. No more than two of the public members shall be of the same political party. The public members will be appointed for staggered five-year terms and will be compensated at Executive Level IV on a per diem basis for the time they spend in the performance of their official activities. Commission members and staff of the Commission are prohibited from participating directly or indirectly in any market operation or transaction subject to regulation by the Commission. The Commission will be allowed to utilize the facilities and services of the Department of Agriculture, at cost, including adequate office space if available. The Commission will be required to meet as often as necessary but not less than one regular meeting per month. Additional meetings may be called by the Chairman or any two members of the Commission.

All existing authority under the Commodity Exchange Act presently delegated to the Secretary of Agriculture and the Commodity Exchange Commission will be transferred to the new CFTC. All existing personnel of the CEA will be transferred to and become employees of the CFTC. Provision is made for a Secretary to the Commission, who will be responsible directly to the Commission members. The CFTC is authorized to hire consultants and to contract on its own authority with respect to matters necessary to effectuate the purposes and provisions of the Act. Certain responsibilities of the Commission may be delegated to CFTC staff, including an Executive Director who will perform the day to day functions of the operation of the Commission under the direction of the members of the Commission. In addition, the Commission will have its own General Counsel and legal staff as well as independent budgeting capability and its own Administrative Law Judges. Commission budgets are to be independent products of the Commission (subject to OMB) but will be forwarded to the Secretary of Agriculture for transmittal purposes only in the Department of Agriculture's budget requests. Provision is made for GAO access to books and records of the Commission.

A customer reparation proceeding before the Commission will be authorized one year after date of enactment of the Act for handling customer complaints which arise from violations of the Act, particularly those which result in monetary damages to the customer. The Commission will have original jurisdiction to consider all such complaints which have not been resolved through the informal settlement procedure required of the contract markets and registered futures associations under the bill. Formal hearings will be held in those cases involving amounts in controversy which exceed $2,500 and will be in accordance with the Administrative Procedure Act. Initially, complaints would be considered by an Administrative Law Judge and then reviewed by the Commission before a final order is entered. A special judicial review of Commission decisions will be established for these proceedings which will allow either party adversely affected to appeal to the U.S. District Court.

The Commission will be directed to take into consideration the public interest designed to be protected by the antitrust laws of the United States before issuing any order, rule or regulation under the Act and before requiring or approving any bylaw, rule, regulation or resolution of a contract market or registered futures association.

Title II provides broad new authority to the new Commission over futures trading in a number of areas. All commodities trading in futures will be brought within federal regulation under the aegis of the new Commission, however, provision is made for preservation of Securities Exchange Commission jurisdiction in those areas traditionally regulated by it. "Commodity Trading Advisors" and "Commodity Pool Operators" will be brought within the purview of the Act and will be required to register with the Commission annually. Whether trading by floor brokers and futures commission merchants for their own accounts and at the same time trading for their customers will be allowed will be determined by the Commission after a hearing within six months after enactment and if allowed, the circumstances under which it shall be conducted will be determined by the Commission. The existing registration and examination for fitness requirement will be expanded to include all individuals handling customer accounts. Contract markets will be required to demonstrate that the futures contracts for the commodities for which they are designated or seek designation serve an economic purpose. The Commission will be given authority to require contract markets, after hearing and comments procedure and after giving the contract market 60 days to suggest changes, to permit delivery of the commodity at additional geographical locations if it finds that this will tend to diminish price manipulation, market congestion, or the abnormal movement of such commodity in interstate commerce. Contract markets will be required to establish their own customer claims settlement procedures complementing the Commission's procedures for the handling of customer complaints which involve claims up to $5,000 and which will result in a voluntary informal settlement between the parties. Contract markets will be required to submit their bylaws, rules, regulations or resolutions which relate to the terms and conditions of futures contracts or other trading requirements to the Commission for its approval or disapproval. The Commission will be given authority through the Attorney General to seek injunctions to stop any person from violating the Act or regulations thereunder and to stop any trader from controlling a commodity futures contract to the extent that he is effectively restraining trading in such contract but no injunction or mandamus will be issued *ex parte*. The Commission will have authority to impose monetary penalties up to $100,000 in both administrative and criminal proceedings for violations of the Act. The Commission will be authorized to require a contract market, after notice and hearing, to effectuate changes in its rules and practices which the Commission determines to be necessary for the protection of the public interest. The Commission will have authority to promulgate special rules and regulations for persons registered under the Act but who are not members of a contract market which may reasonably be required to protect the public interest. The Commission will have special emergency authority to direct contract markets to take such actions as it may deem necessary in "market emergency" situations, such as war, price controls, export embargoes, or significant intervention of a foreign government in the futures market, in order to facilitate the orderly trading in or liquidation of any futures contract.

Title III provides enabling authority at the discretion of the Commission for persons registered under the Act and in the commodity trading business to establish a voluntary futures association or associations which would have authority to regulate the practices of its members in the public interest. Such an association would register with the Commission and establish a uniform code of professional conduct for those in the commodities business and have disciplinary authority over its members. It would also be required to establish a procedure for the settlement of claims and complaints against its members similar to that required of contract markets. Association rules and actions would be subject to review by the new Commission. Association activity would serve solely as a complement rather than a displacement to the authority of the new Commission.

Title IV makes it a felony for Commissioners, employees, or agents of the Commission to participate, directly or indirectly, in any transaction in either futures, options, or an actual commodity and it also makes it a felony for these same people to impart confidential information to others for the purpose of assisting them in participating in such transactions. The bill continues the ban on trading in options in commodities now subject to CEA regulation, and prohibits options trading contrary to rule or regulation of CFTC with respect to all other commodity futures, i.e., those being brought under regulation for the first time by the

bill. "Arbitrage" is added to discretionary authority of CFTC to allow exceeding speculative limit, and is defined to mean the same as a "spread" or "straddle." The "mechanical" test of hedging in present law is repealed and the Commission is given new latitude to define legitimate hedging, including anticipatory hedging for processor.

The "crossing of trades" authority is expanded to include all commodities, and provides authority over such transactions to CFTC. A new requirement is added to the present Act that U.S. standards be specifically adopted by the Commission. The final provisions prescribe the manner of transfer of authority, organization of the new Commission, and the effective date.

Mr. Chairman, I will not detail here all the additional considerations that have led us to recommend a bill proposing these major changes to the present law. Instead, I refer the member to the comprehensive committee report on the bill which points out, in 20 pages, the disturbing situation facing the industry and the Government under present law. I would also like to add, that we have not seeked to exploit the industry by offering stories of some of the shadier practices that are allowed under present law. However, they exist, or I would not be here before you today. The committee has, together with responsible leaders of the industry, tried to take the "high road" in addressing the problems of the industry, and in drafting and seeking passage of this bill. Some members apparently feel that this indicates that the bill is an overreaction to small problems. I assure the members that this is not the case. Although I have spoken of answering the larger problems, questions of shady practices allowed in some situations under the present act are also dealt with under the bill.

In addition to its regulatory function, the committee envisions that the CFTC created under the bill will also be able to provide a small amount of positive assistance to the Government in ascertaining the desirability of encouraging futures trading in some limited areas where it is not now practiced—such as the possibility of setting up contracts or separate exchanges with regard to trading crude oil or its derivatives.

Our estimate of the costs involved in the bill are in the neighborhood of $5 million a year. Last year, the public lost over $100 million in the failure of one nonregulated firm, alone, which was vending naked options. The assurance this bill provides to producers, consumers, traders, and businessmen of sound pricing which is the basis of legitimate hedging of appropriate cash risks, makes this cost a small one in comparison to the benefits provided.

Mr. Chairman, the committee has subjected this bill to as intensive a study over the past 8 months as I can recall. It deserves the support of everyone concerned with providing a strong responsible futures trading industry, just as it has the support of the administration, much of the industry, and every major farm organization who has announced a position on the bill. It has bipartisan sponsorship. I predict the bill will live up to its billing by some as one of the most important bills the committee has reported in recent years.

Mr. WAMPLER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I rise in support of H.R. 13113, the "Commodity Futures Trading Commission Act of 1974."

This bill is designed to reform and strengthen the laws which provide for Federal regulation of the Nation's half-trillion-dollar annual commodity futures trading industry. The Agriculture Committee held extensive hearings on this subject last fall and again early this year. During the course of these hearings, it became evident that certain changes were necessary in the present regulatory structure. The bill before us today seeks to make those necessary changes by creating a Commodity Futures Trading Commission—CFTC—replacing the present regulatory agency within the Department of Agriculture—the Commodity Exchange Authority.

As this legislation has been developed, I have been concerned that we may be going too far in interfering with a major portion of a market system that has served agricultural interests well for many years. As the bill progressed in committee, however, many changes were made in it, and by and large I now feel this bill will be beneficial to farmers, consumers, and the commodity futures industry.

The five-member regulatory Commission would consist of the Secretary of Agriculture and four public members selected on a bipartisan basis. The public members would be appointed by the President, subject to the advice and consent of the other body. Although any one of the five members, including the Secretary, would be nominated by the President as Chairman, the nomination as Chairman would be subject to separate confirmation by the Senate.

It is envisioned by the committee that the new Commission will have many advantages over the present system of regulation. For example, the Commission will have the independence required to operate effectively, but will at the same time still be located within the Department of Agriculture. Thus, it will be able to utilize existing physical facilities and maintain a close working relationship with other agencies of the Department that it so naturally relies upon for information.

In addition to the creation of the Commission, the bill expands the coverage of the act to all potential futures contracts; provides new powers to the Commission, including injunctive authority; allows for the assessment of administrative monetary penalties for violation of the act; broadens the authority of the Commission to act in "market emergencies" including manipulation of the futures markets by foreign governments.

H.R. 13113 also gives authority to the Commission to regulate or prohibit the trading by brokers and futures commission merchants for their own accounts while they are trading for customers and to promulgate new registration requirements for employees of brokerage firms, commodity trading advisors, and commodity pool operators. Commodity exchanges would be required to establish additional delivery points if the Commission, after investigation, determined that such was necessary and the exchange failed to voluntarily take appropriate action.

These provisions that I have reviewed briefly are the major features of H.R. 13113 and represent the changes that the committee found imperative during its deliberations on the bill.

When properly implemented, this legislation can provide the basis for a stronger futures industry into the next century. Logical Federal regulation will encourage this vital industry to maintain the strength and integrity that the responsible leadership of the industry has always been striving to obtain.

Mr. POAGE. Mr. Chairman, I yield 1 minute to the gentleman from Minnesota (Mr. BERGLAND).

Mr. BERGLAND. I thank the chairman for yielding.

Mr. Chairman, I rise in strong support of this legislation. I think it will protect all users of all commodity markets and does not authorize an unwarranted intrusion into the open and honest free market structure which has served our economy so well.

Therefore I endorse this sensible proposition and urge it be approved.

Mr. WAMPLER. Mr. Chairman, I yield 10 minutes to the gentleman from Iowa (Mr. MAYNE).

Mr. MAYNE. Mr. Chairman, I rise in support of H.R. 13113, the Commodity Futures Trading Commission Act of 1974.

I certainly do not consider myself an expert on the highly complicated matter of futures trading. However, after listening to numerous expert witnesses, participating in hours of committee debate on this subject, and doing considerable reading, I have acquired a certain amount of information which I would like to share with you, and which I consider essential for one representing an agricultural district which produces some of the most important commodities involved in futures trading.

Last fall when our Committee on Agriculture first announced hearings on possible amendments to the Commodity Exchange Act, the first question which I wanted to determine was whether futures trading truly served a useful marketing function for the U.S. farmer. Some wide price fluctuations on the Nation's commodity markets had raised serious questions about their vulnerability to speculation and possible rigging with unsubstantiated charges that speculators were largely responsible for price gyrations and should therefore be barred from the markets altogether. Many farmer constituents were voicing their suspicions of futures markets with some even going so far as to suggest their complete abolition. During our committee hearings, I therefore questioned witnesses and also livestock and grain farmers in my district on the advantages as well as the

alleged dangers of futures trading. I found overwhelming evidence in support of the need of futures markets as well as a more widespread usage of futures markets by my constituents than I had anticipated.

The need for future contracting stems primarily from the fact that our entire year's supply of major crops, such as corn and soybeans, is harvested in a 2- to 3-month period where as utilization occurs fairly evenly throughout the year. Farmers told me that prior to the first futures markets, they often were forced to accept badly depressed prices during the oversupply at harvest time, while in the spring and early summer, merchants who had acquired stock at those depressed prices could then sell at highly inflated prices. Now with the use of futures markets, a farmer can negotiate a firm selling price for his crop before it is harvested or even before it is planted. A county elevataor can store grain until needed without risk of a price decline. Processors can firm up the price of needed supplies months in advance and allow them to establish an eventual price of end products. This use of the futures market which is commonly called hedging allows grain and livestock producers, merchants, and processors to shift price risks to other individuals known as speculators who are willing to assume the risk. This lessening of price risk to producers and marketers leads to lower marketing margins and lower costs in moving commodities to the final user. Simply translated this means more stable prices to producers and consumers alike than in a marketing system based solely on cash transactions.

In addition to these indirect advantages for farmers from futures markets, I find that many farmers are becoming increasingly more sophisticated in the use of futures trading as a direct marketing tool for themselves. Livestock producers have advised me they had recently hedged their cattle through futures trading and as a result were able to avoid the disastrous losses many other cattle feeders are suffering in the current low fat cattle market. Grain producers are also commonly using futures contracts in marketing their grains. Extension specialists at Iowa State University have long aided farmers in becoming familiar with futures trading. They routinely advise farmers to consider hedging as one of the legitimate tools to be used for improved marketing. Farm organizations such as the American Farm Bureau also recognize the importance of futures markets. The following policy adopted by the voting delegates of all State farm bureaus demonstrates this awareness:

Futures trading has a prominent and rightful place in our competitive market price system. Trading in commodity futures reflects a need of the market system for a means of transferring certain types of risk. It presently serves a useful purpose for a number of commodities and should be provided for additional commodities where need exists and research shows futures trading would be beneficial.

With the need for futures markets clearly established, the purpose of the legislation before us today can best be described as a means for providing the fairest possible market situation for the legitimate hedger.

Currently futures markets suffer from a lack of public confidence in the present regulatory scheme. The present regulatory activities of the Commodity Exchange Authority are inadequate to police the $400 billion futures trading industry. This is due in part to the limited authority given them under the present law as well as a lack of adequate funding and numbers of employees. These problems are compounded by the fact that many futures such as lumber, plywood, sugar, and silver are not regulated at all under the present act.

H.R. 13113 will solve a great many of the problems besetting futures markets today. As proposed, the bill replaces the present weak regulatory arm within the Department of Agriculture with a new five-man regulatory Commodity Futures Trading Commission consisting of the Secretary of Agriculture and four bipartisan public members. The Commission will have independent budget and legal staff and other personnel. The Commission will also be armed with new powers to more effectively regulate futures trading. They will have the right to seek injunctions, to assess monetary penalties, and the legal authority that will allow them to instruct markets to establish additional delivery points if the Commission determines it is necessary.

The bill also expands coverage of the act to include all commodities trading in futures.

As strongly as I disapprove of unchecked abuses which might occur from under-regulation, I must caution my colleagues not to succumb to emotionalism and ill-considered attempts to legislate against alleged abuses or problems which have been unfairly attributed to futures trading. A good deal of such emotionalism followed the sharp soybean price increases of 1972–73. Many critics of futures trading contended that the soybean price increases were due in a large part to overspeculation in soybean futures contracts. However noted exports on futures markets such as Dr. Tom Hieronymous of the University of Illinois have effectively refuted such claims. Dr. Hieronymous has demonstrated there were not overspeculation during the months of the soybean price increases. This point is borne out by market figures which show less speculative participation in the bean market during the time of the price increases than during the same period of 2 previous years.

While the speculator has been much maligned to the point where some critics of the present marketing system have tried to make "speculator" a dirty word, we must not forget that the speculator performs an important economic function in futures markets. He is, in effect, the risk bearer who assumes the risks which the hedger seeks to avoid. The speculator should not be discouraged from entering the market either due to the uncertainties of under-regulation or because of the lack of a free market due to over-regulation. There are of course bad speculators as well as good but here as in other occupations we should not let the rotten apples in the barrel poison our impression of the entire lot. H.R. 13113 will provide those regulations which are reasonably necessary to guide the activities of speculators as well as other segments of the market and no legitimate speculator or other market participant should object to its provisions.

I believe H.R. 13113 if passed will greatly help to restore public confidence in futures markets without over-regulating the markets to the point of crippling their ability to remain a strong, viable factor in the marketplace.

I urge you to vote for passage of H.R. 13113 as reported by the Agriculture Committee.

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

Mr. MAYNE. I yield to the gentleman from Maine.

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

Prior to making a few brief comments on this legislation, I would like to commend my colleagues on the Agriculture Committee for their painstaking efforts in developing reform legislation in this extremely complex, yet vitally important area. There can be no doubt that a pressing need exists to tighten and streamline the operations of the $400 billion commodity futures trading industry and, on balance, I believe that the committee has developed a responsible and comprehensive proposal to accomplish this goal. Accordingly, I intend to lend my support to H.R. 13113.

The potato industry in the State of Maine has a large stake in our efforts here this afternoon. As many of my colleagues on the Agriculture Committee are aware, for almost two decades there has been widespread sentiment within the industry that the operations of the commodity futures exchanges have worked to the detriment of the individual producer. Briefly summarized, the major points made by potato growers include:

First. Futures trading in potatoes effectively prohibits the orderly marketing of that commodity by concentrating sales in the trading months, and by influencing farmers to withhold potatoes from the market until late in the season in hopes of getting a higher price than the fresh market will yield.

Second. Perishable products such as potatoes are not adaptable to orderly futures trading. Perishable causes price volatility which in turn encourages speculation.

Third. Futures trading causes erratic price movements that do not accurately reflect true supply and demand conditions.

Fourth. Maine potatoes are essentially the only potatoes that are involved in futures trading. As a result, the industry faces extreme pricing pressure, and ends

up being the pricing mechanism for the entire industry.

Fifth. Most futures contracts are national contracts that do not designate a specific geographical production area.

As several members of the Agriculture Committee will recall, the committee has received a voluminous amount of testimony on this matter and has, in fact, twice voted to support a prohibition on the trading of Irish potato futures. While it is not my intention to pursue such a course of action today by attempting to amend H.R. 13113, I do want to point out to my colleagues that the Maine potato industry continues to view the futures market as an onerous burden that inhibits the establishment and maintenance of a healthy industry. It is my profound hope that the new Commodity Futures Trading Commission created by this bill will examine this situation closely, and vigorously exercise the broad authority that this measure provides to ensure that the interests of Maine's potato producers are protected and put ahead of those of the speculators.

Specifically, I am hopeful that the Commission will conduct an extensive inquiry at the earliest practicable date to determine whether in fact futures contracts for Irish potatoes serve a useful economic purpose. In conducting this inquiry, the following factors need to be carefully examined:

The role that commodity futures markets play in affecting the price of perishable commodities not only to the producer but also to the consumer.

The impact and justification for day trading in perishable commodities.

The justification for trading a commodity with respect to a specific geographical point of production.

Mr. Chairman, the Maine potato industry seeks nothing more than stability in the marketplace and protection from excessive speculation and manipulation. We in the Congress have an overriding responsibility to provide that protection and rectify the deficiencies in the operations of the futures markets that have nurtured instability. I believe that this legislation represents an important step forward in meeting our responsibility, and I urge my colleagues to join me in supporting H.R. 13113.

I should like to ask the gentleman if it is his understanding—I am looking at page 29 of the report itself—that the Commission could not only review individual contracts but also consider the question of economic usefulness of the entire trading of that particular commodity such as potatoes, Irish potatoes? Perhaps I could direct this question through the gentleman to the Chairman.

Mr. MAYNE. I am sure the distinguished chairman would be able to give a much more comprehensive answer to this question. It is my understanding that the bill would give the Commission that scope.

I should be very happy to yield to the chairman for a further statement, if he wishes to make it.

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

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

Mr. POAGE. I thank the gentleman for yielding.

I think it is clear that the answer to the gentleman's question is, "yes," that this is a new contract, and that the Commission would have a right to review it and to authorize changes in it if they were requested.

Mr. COHEN. I thank the chairman.

Mr. POAGE. Mr. Chairman, I yield 1 minute to the gentleman from California (Mr. BROWN).

Mr. BROWN of California. I thank the chairman for yielding.

I have not been habitually appearing in the guise of a spokesman on agricultural matters, and I appreciate this opportunity to say a word or two about this very important bill. I went on the Agriculture Committee this session without knowing a great deal about the problems of agriculture. I have found that the opportunity to sit through hearings, such as the very extensive hearings which we had on this bill, have provided a great deal of education and enlightenment to me. I must say that I have a very high regard for the leadership of the chairman of this committee, and for the way in which the hearings on this bill were conducted. I have been generally looking at the problems of regulating the commodity futures market from the standpoint of the urban consumer and am well aware of the kinds of problems which have arisen in terms of overspeculation and manipulation of commodity prices. Extensive testimony before the Agriculture Committee revealed to me, and other members of the committee, that not only the urban consumer, but the farmer and the professional traders in the futures market, have numerous complaints about the present working of the system. There has been a vast increase in futures trading, with no commensurate increase in regulatory attention. Nonregulated commodities volume has quadrupled over the past 4 years with no Federal regulation whatsoever. This has allowed naked options trading and pyramid schemes to flourish under existing law. Customers have lost over $100 million because of inadequate policing in one firm alone. The press has reported confidence games involving nonregulated commodities and unsophisticated investors who have been fleeced of their life savings. Such events can only occur because of the inadequacy of regulatory activity over a market now twice the size, in dollar volume of trading, of the securities market, which market is regulated by a much larger and more effective regulatory body, the SEC.

Mr. Chairman, for the reasons I have given, and many others, I support this bill, not only because it will help the urban consumer, but because it is good for farmers and for the entire futures trading industry.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WAMPLER. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota (Mr. ZWACH).

Mr. ZWACH. Mr. Chairman, I thank the gentleman for yielding. I will not take all of the time unless some situation develops that would endanger this bill.

Mr. Chairman, I rise in full support of H.R. 13113. Mr. Chairman, while it is weaker in some respect than I should certainly like it to be, it is a tremendous improvement and an updating that is very, very important. It is important to all of our people. It is important to my 40,000 producers who want food to move efficiently into the channels of consumption. It is important to one-half million consumers who, on the other hand, want food to move through in an efficient manner.

The markets have not had the confidence of the public. There has been a big lack of confidence because they have been in the main self-regulatory. This has not proven satisfactory. This legislation creates an impartial umpire, a commission, that will regulate and handle the public interests, the producers' interests, and the consumers' interests. This was passed in the committee by a vote of 24 to 8, which is a very substantial vote. It is an important bill and I rise in its full support and ask that it be enacted into law.

Mr. POAGE. Mr. Chairman, I yield such time as he may consume to the gentleman from Washington (Mr. ADAMS).

Mr. ADAMS. Mr. Chairman. I will today support this Commodity Futures Trading Commission Act, H.R. 13113, but I have great reservations about the bill as it now stands and I hope it will be improved before it reaches the President's desk.

I strongly believe that there should be a new, more powerful and effective Commodity Exchange Commission. I cosponsored legislation which formed the basis for today's action. The problem is that I believe that this agency should be completely independent of the Department of Agriculture.

Over the last several years, the commodity marketing system in the United States has grown faster than perhaps any other industry in this country. The volume of grain production has doubled and quadrupled, and so has demand for U.S. grain. In addition, a large percentage of this grain is moving interstate and over international transportation systems rather than moving merely from one farm to an adjoining farm.

Furthermore, the commodity exchanges have become increasingly more popular with more and more people speculating and trading in these markets. Last year, the commodities exchanges handled about $268 billion in contracts of regulated commodities, compared to $60 billion per year 10 years ago. This compares to a total of only about $200 billion for all stocks handled on the stock exchanges.

The present Commodity Exchange Authority within the Department of Agri-

culture is too small, too understaffed, and too poorly funded to cope with this tremendous increase in trading on the commodities markets. The agency is currently assigned regulation of 20 different exchanges, covering 20 major commodities, in a number of cities. To carry out its functions, the CEA has a staff of only about 160 employees. This small operation cannot possibly regulate $268 billion in futures trading. For example, the Security Exchange Commission has a staff of about 1,600 to regulate a market volume of less than $200 billion.

It is imperative that the Commodity Exchange operation should be expanded and given additional staff. However, staff alone is not a solution. A new Commodity Exchange Commission needs independence, it needs more legal powers, and it needs to be backed by stronger penalties for violation of the law.

Last November, I cosponsored legislation with my colleague Congressman NEAL SMITH and others to create an independent Commodity Exchange Commission. The Commission we envisioned was to be completely independent and would regulate all agricultural and other commodities trading and speculation. This new agency, like the SEC, would protect American consumers from unfair pricing arrangements for commodities. There have been some indications that traders might open speculation in the areas of home heating fuels and mortgage money and this too would be regulated. As more and more powerful special interests become involved in commodities futures speculation, it is urgent that we set up a regulatory agency that has the real power and independence necessary to exercise constant surveillance over these trading practices.

The Commodity Futures Trading Commission as it is set up in H.R. 13113 now under consideration, is still held within the Department of Agriculture. Although I recognize that at this time most of the commodities trading is in agricultural commodities, I believe that an independent regulatory agency like the SEC would be more powerful and more free to oversee the exchange markets properly because the Department of Agriculture has always been dominated by producing rather than consuming interests. In addition there is a good chance that an oil commodity market may soon be created. The Commissioners of the new agency should devote full time to this most important task and I shall support an amendment to do this. The bill now before us has a five-member Commission, of which one member is the Secretary of Agriculture who obviously has his hands full with running the Agriculture Department and is producer-oriented. The other four Commissioners sit on the Commission only on a part-time basis. I believe such an arrangement would defeat the whole purpose of what we are trying to accomplish here today—to create a more effective, more powerful agency to regulate commodities futures trading.

Another important feature which the new Commodity Exchange Commission should have is the power to seek injunctions—on its own, without proceeding through the Justice Department. If the Commission were empowered to seek its own injunctions, it could more readily and more quickly prevent violations such as commodities manipulation.

Finally, I believe the new Commission should have more control over the process of setting margins for futures trading transactions and to define speculative limits. I feel it is appropriate for a commodity exchange regulatory agency to have some say over the manner in which the boards of trade and the exchanges conduct their transactions.

Our experiences with the Soviet wheat deal demonstrate the disastrous effects which unfair trading practices can have on farmers and consumers alike. Major grain exporting companies speculated freely on the commodities exchanges, and it appears their manipulation of the trading allowed them to buy wheat cheap and keep it secret from other traders. Later they sold it at higher prices to the Russians. We have all seen the results in high food prices and short grain supplies. Without new controls there is nothing to prevent foreign nations from manipulating commodity futures.

I support the Commodity Futures Trading Commission Act as a step in the right direction of futures trading oversight because it is needed simply to keep up with the expansion of the commodities trading markets. I hope we will continue to move forward toward a better system.

Mr. POAGE. Mr. Chairman, I yield 1 minute to the gentleman from Kentucky (Mr. STUBBLEFIELD).

Mr. STUBBLEFIELD. Mr. Chairman, I rise in support of the bill as chairman of the ad hoc subcommittee which drafted an earlier version of H.R. 13113.

I have never been more impressed with the diligence and dedication of any group with whom I have ever served than with the members of this subcommittee. They have put in the hard work necessary to come up with this legislation which provides needed changes in the present, inadequate law. I want to pay especial tribute to these colleagues, Congressmen TOM FOLEY, BOB BERGLAND, CHARLES THONE, and BOB PRICE. They put in many hours, individually and collectively, addressing themselves to the problems of the industry.

Reform of the present law is obviously necessary. I feel it is particularly important that the bill before us today should do nothing to hamper legitimate businessmen from using the futures markets in a manner consistent with public policy.

This is a good bill and deserves the support of the House.

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

The CHAIRMAN. The Chair will count.

Eighty-nine Members are present, not a quorum. The call will be taken by electronic device.

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

[Roll No. 167]

Addabbo	Fulton	Pickle
Anderson, Ill.	Giaimo	Podell
Arends	Gibbons	Powell, Ohio
Ashbrook	Ginn	Price, Ill.
Ashley	Gray	Quillen
Badillo	Griffiths	Reid
Bevill	Gubser	Rhodes
Biaggi	Hanley	Roe
Blackburn	Hanna	Rooney, N.Y.
Bolling	Hansen, Wash.	Rose
Bowen	Harrington	Ruppe
Brademas	Harsha	Sandman
Brasco	Hébert	Schneebeli
Broomfield	Heckler, Mass.	Shipley
Broyhill, Va.	Helstoski	Shuster
Carey, N.Y.	Horton	Sikes
Carter	Howard	Stanton,
Chappell	Ichord	J. William
Clark	Jones, Ala.	Stanton,
Clay	Karth	James V.
Collier	Kazen	Steiger, Wis.
Conlan	King	Stuckey
Conte	Landrum	Sullivan
Conyers	Lehman	Teague
Corman	Long, La.	Thompson, N.J.
Cotter	McDade	Tiernan
Danielson	McEwen	Towell, Nev.
de la Garza	McKinney	Udall
Dellums	Macdonald	Whalen
Derwinski	Madigan	Wiggins
Diggs	Martin, Nebr.	Williams
Dingell	Mathis, Ga.	Wilson,
Dorn	Meeds	Charles H.,
Drinan	Minshall, Ohio	Calif.
Dulski	Murphy, N.Y.	Wilson,
Esch	Nichols	Charles, Tex.
Fascell	O'Neill	Wolff
Flynt	Owens	Wydler
Ford	Patman	Zablocki
Frelinghuysen	Patten	
Frey	Pepper	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. HAWKINS, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 13113, and finding itself without a quorum, he had directed the Members to record their presence by electronic device, when 316 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The Chair recognizes the gentleman from Virginia (Mr. WAMPLER).

Mr. WAMPLER. Mr. Chairman, I yield 5 minutes to the gentleman from Kansas (Mr. SEBELIUS).

Mr. SEBELIUS. Mr. Chairman, I appreciate this opportunity to rise in support of H.R. 13113. While the bill is not perfect, it represents an attempt to update commodity exchange legislation in a manner consistent with the dynamic changes we have experienced in agriculture and in the commodity futures markets in recent years.

Today commodities trading volume exceeds $400 billion, more than twice the volume of $200 billion trading volume in stocks and bonds. It is apparent that we must have responsive control authority that is flexible enough to allow the forces of the market to work without jeopardizing the interests of the producers, processors, and consumers, and others whose well-being is dependent on market stability and orderly marketing.

I was most gratified that throughout our extensive hearings on this legislation there was no evidence of scandal or

wrongdoing in the commodities trading industry. However, our hearings did indicate some potential abuses that could become apparent should we delay in taking remedial action. This legislation should help restore confidence and stability to the commodities market.

I would like to specifically mention a few sections of this proposed legislation. One of the more controversial features of the bill concerns the status of the Commodity Futures Trading Commission. I support a part-time Commission with the Secretary of Agriculture designated as an active member. The legislative history for this legislation will show the need for strong producer representation on this Commission. With the Secretary of Agriculture serving as an active member of a part-time Commission, the Commission would always have a representative who is sensitive to Government leadership. And, with other members coming from the general public, the public will have a representative responsive to their wishes and welfare. I think this is a good and workable system. It would give us a Commission that is flexible and responsive to both Government and the public and will be made up of individuals who are concerned with seeing futures trading continue to work properly and efficiently.

Under this legislation, the registration and fitness requirements will be specifically extended to all individuals handling customers' accounts. Operation under the present fitness provisions has clearly demonstrated the need for this extension.

Another procedure often questioned is how to handle commodity exchanges in which floor brokers and futures commission merchants trade for their own accounts and for their customers as well. The possible conflict of interests is self-evident. Yet, a flat prohibition against such trading would discourage the formation of new exchanges and would also work to the serious disadvantage of the more established exchanges which have a comparatively small volume of trading.

H.R. 13113 will give the Commission specific authority to consider the problem separately for each exchange and take whatever action is required to protect the public. The bill provides that trading by floor brokers and futures commission merchants for their own accounts and for customers will be restricted and allowed only under such circumstances as may be prescribed by the Commission.

Finally, the present Commodity Exchange Act contains no specific authority to secure injunctions. Under H.R. 13113, the Commission will be given specific authority through the Attorney General to seek injunctions to stop any person from violating the act or regulations thereunder. Also, any trader will be stopped from controlling a commodity futures contract and to the extent that he is effectively restraining trade.

Our thrust in this legislation is to strengthen commodities markets, to build confidence and stability in commodities trading. Properly administered, this legislation could better service the interests of all those involved with commodities from the farmer to the consumer and from "hedgers" to speculators. It is crucial that the futures markets be held in confidence by the general public. Otherwise, the system will not continue to work. This Nation's economy cannot afford to lose this most valuable business tool.

Mr. WAMPLER. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania (Mr. GOODLING).

Mr. GOODLING. Mr. Chairman, I shall not talk about the merits or demerits of this bill. I do however want to point out to the Members of the House that the design department and the construction industry has been working overtime in building a new bureaucracy. They are probably going to lay the cornerstone for this new bureaucracy this afternoon. I submit to you it will require a sizable cornerstone, because I assume they will want to inscribe the Commodity Futures Trading Commission Act of 1974 on that stone.

Personally I have heard no real or justification expressed for this act. It is just one more instance where the Government is attempting to get its long arm around the necks of more people. If legislation is needed—and I question whether it is—why was not the Commodity Exchange Authority expended?

Let us take a little look at the bureaucracy we are building today. We are going to establish a separate regulatory agency within the USDA. I am not at all certain how this agency can function within an already large Government agency. At the present time the Office of General Counsel in the USDA provides all of the legal services for the Commodity Exchange Authority. Will this service be continued? The answer to that is no, because the new commission will have its own lawyers. Will the USDA reduce its staff of legal talent? If I were a gambling man, I would gamble that it will not. The commission will also have its own accountants, its own investigators, its own hearing examiners, secretaries, errand boys, and what have you. At the present time the Commodity Exchange Authority employs approximately 200 people. I think I can assure the Members of this House that this will be doubled immediately upon the enactment of this legislation.

Let us take a little look at the wheels that will turn this new bureaucracy. It will probably be done by an executive secretary who will probably be in the $38,000-a-year category. There will be five commissioners, one of whom shall be the Secretary of Agriculture or his designee. Originally it was the hope of some of the members of the committee that these commissioners would serve on a full-time basis at a starting salary of $38,000 a year. The bill now calls for these people to be paid on a per diem basis. I think I can assure you they will serve many days at that figure. They, too, will have their secretaries and staffs.

Let me point out to the Members of this House that this new commission is getting into a field in which the Commodity Exchange Authority never entered into.

It will be getting into the field of many nonagricultural products. These are some of the nonagricultural products with which they will be working on: aluminum, copper, foreign currency, lead, mercury, palladium, nickel, platinum, propane gas, silver, tin, and so forth. This too will require other nonagricultural experts.

Mr. Chairman, I was interested in just two words that I read in the bill. On page 5, line 5, the Commission will employ "special experts." I drop down to page 12, and it will employ "experts."

I do not know how to define the two, but they are going to employ special experts and experts.

The smart empire builders will soon note that the Securities and Exchange Commission has a staff of about 1,600 people. This organization annually regulates a dollar volume of about $200 billion. This new bureaucracy we are creating today, the Commodity Exchange Commission, will oversee an annual dollar volume of about $400 billion.

Is it not logical to conclude that this new commission will require double the amount of people the Securities and Exchange Commission employs?

Possibly I have been a bit facetious, and I may have been, but I have lived sufficiently long to see these facetious ideas become realities. This is why our national debt as of April 3, 1974, was $470,516,114,296.65. That is why we are paying $55,665 per minute just to pay the interest on our national debt.

Our No. 1 problem today, I submit to the Members of the House, is not Watergate, it is not the energy crisis, but it is inflation. Inflation affects every man, woman, and child who has a dollar to spend.

And who is responsible for this inflation? It was not the Kennedy administration; it was not the Johnson administration; it is not the present administration; it is the irresponsible big spenders among the Members of this Congress, and I defy anybody to refute that statement.

I am not going to be here to see this additional bureaucracy completely constructed, but you can be just as certain as the night follows the day that it will be just that. And when you people see it, as you inevitably will, just remember this: old George told you so.

I for one will not load this new bureaucracy on the backs of the already overloaded American taxpayer. Too many already have unbearable loads to bear.

I should like to close my remarks with a statement made by the patron saint of the Democratic Party, and I quote:

> I place economy among the first and most important virtues, and public debt as the greatest of dangers to be feared. . . . To preserve our independence, we must not let our rulers load us with public debt. . . . We must make our choice between economy and liberty, between profusion and servitude.

Mr. Thomas Jefferson, if I can paraphrase the words of a song: "We've come a long way, baby."

I might also add, we have completely ignored your sound advice.

Mr. WAMPLER. Mr. Chairman, I yield 5 minutes to the gentleman from Texas (Mr. PRICE).

Mr. PRICE of Texas. Mr. Chairman, I would like to take this time to discuss this bill a moment. The 1973 total annual volume of 18.6 million contracts traded in 20 regulated commodities was the fifth straight record high since 1969. The value of these contracts was estimated at $329.1 billion.

The record number of transactions represents a 30-percent increase over the 14.3 million transactions reported in 1972. The value of contracts traded increased 82 percent over last year's $181.3 billion, reflecting the sharp rise in volume and commodity prices.

Record futures markets emerged in most commodities. In the grain markets trading in corn reached an estimated 20.9 billion bushels on 4.2 million contracts, more than doubling the 9.8 billion bushels, or 2 million contracts traded in 1972.

The oats market showed a sevenfold increase with an estimated 1.4 billion bushels traded as compared to the .2 billion bushels traded in 1972.

The wheat volume, the largest in 6 years, increased to 10.8 billion bushels from the 6.4 billion bushels traded in the previous year.

In the soybean complex, soybeans showed a decline of 32 percent from the record volume of 20.6 billion bushels traded in 1972. The volume in 1973 totaled 14 billion bushels.

Soybean oil trading of 1,763,059 contracts represented an increase of 59 percent over the 1,110,829 contracts traded in the previous year.

Soybean meal volume showed a slight increase of 5 percent to 660,506 contracts compared to 631,117 contracts traded in 1972.

In livestock, the livestock products group traded in cattle futures was estimated at a record 2,579,233 contracts. This represented an 87-percent increase over 1972 when 1,378,255 contracts were traded.

Live hogs. Trading in fattened cattle rose substantially and made a new trading record. Contracts traded in 1973 totaled 1,060,892, an increase of 96 percent over the 542,331 contracts traded in the previous year.

The frozen pork belly market, one of the leading commodity markets for the past several years, showed a decline in 1973 with a volume of 1,159,369 contracts, down 44 percent from a near-record trading volume of 2,058,620 contracts in 1972.

Mr. Chairman, I point out these figures to try to substantiate that the commodity market exchange and the businessmen who stand behind this have done a fantastic job in regulating their own businesses, benefiting the American producers in this country. For a long time, Mr. Chairman, I have thought that there are businessmen in this country who have enough business sense to build confidence in the people so they have faith in business and businessmen in this country without Federal regulations.

I thought we had enough faith in our fellow man in the commodities in this country and in the other great businesses in this country. Perhaps we do need some changes in this marketing process but I do not think we need a five-man Commission taking over a $384 billion business in this country. That is to say, we are going to pick five select men to have a Commission down here which is going to have more expertise in the commodities market than those who have been in it for years.

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

Mr. WAMPLER. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. PRICE of Texas. Mr. Chairman, it is troubling to me to see us forming a five-man Commission to take over a business when we have no assurance that the men we appoint are going to do a better job and going to be able to make better decisions than those who have spent their lives in this business.

We now have a Commissioner in the Department of Agriculture whom Congress has failed, in my belief, to provide with the additional staff and with the moneys so that he can do a better job and hire people who are experts in this field. But, no, we are going to form an entirely new Commission in which it is estimated we are going to hire more than 1,000 people to regulate this one group.

There are times and cases where we should take some of the recommendations of this committee and perhaps put them to work in the Department we have in Agriculture now but I do not see why we need to create this monstrosity.

Mr. FOLEY. Will the gentleman yield for a question?

Mr. PRICE of Texas. I yield for a question.

Mr. FOLEY. Mr. Chairman, there is a question I would like to ask. The gentleman suggests Congress has been derelict in not providing more funds for those people. Would he now tell the House that he feels the supervision is inadequate?

Mr. PRICE of Texas. I think we have been inadequately providing money and staff for those people in the Department of Agriculture who have had the responsibility for overseeing the commodities markets.

Mr. FOLEY. This bill provides for additional independent staff, as the gentleman is aware. Does he disagree that additional staff should be provided?

Mr. PRICE of Texas. I agree that additional staff should be provided but I think it could be provided for the present organization within the Department of Agriculture.

Mr. FOLEY. I am sure the gentleman does not want to leave the implication—that this is the first time the Government has stepped in to regulate the futures markets. The first Federal Regulatory Act was passed in 1922.

Mr. PRICE of Texas. Mr. Chairman, I asked the gentleman to limit his remarks to a question. I do not yield further.

Mr. Chairman, I want to commend the members of the Committee on Agriculture and its staff for the work that they have done because we did spend a great deal of time, in fact more than a month or two on this bill, and we spent many hours on it. I mean this to be no laughing matter. I know they worked hard and the chairman worked hard and we did come up with what I think are some good changes that need to be made. My point is these changes could be made and should be made within the agency we have now.

Mr. Chairman, futures trading has a permanent and rightful place in our competitive market price system.

Trading in commodity futures reflects need of the market system for a means of transferring certain types of risk. It presently serves a useful purpose for a number of commodities and should be provided for additional commodities where need exists and research shows futures trading would be beneficial.

Mr. PRICE of Texas. Mr. Chairman, I oppose H.R. 13113 for several additional reasons. In my opinion this is the greatest takeover by the Federal Government of one of the greatest examples in our country of one of the biggest volume free enterprise business in this country.

First, during the course of committee deliberation on this legislation, it became very clear that there is no demonstrated need for this kind of a bill. That is not to say, of course, that we do not need legislation—we just do not need this legislation. Almost all the support for this legislation rests on the assumption that something is seriously wrong with commodity trading. Some have called for stricter controls on futures trading based on the premise that food price increase may have been caused, at least in part, by manipulation and speculation, but this view was totally unsupported by the public testimony presented at the committee hearings.

A number of farmers who sold their grain and cotton crops early last year and missed the big upswing in farm prices, naturally felt that they were cheated or that the futures market was manipulated. On the other hand, many consumers felt that excessive speculation or manipulation of futures markets caused higher food prices last summer. Neither of these assumptions is correct. The futures markets were simply the indicators of the supply and demand conditions existing in cash markets. It was and is the medium that most obviously reflects market sentiments. The markets were and are the messengers of economic news, not the creator of that news.

Commodity markets provide an orderly method of leveling out the peaks and valleys of price fluctuation by permitting buyers and sellers to hedge their operations:

This bill seeks to correct the mischievious assumption that futures markets are responsible for wild price gyrations. But I submit to you, that instead of pro-

viding for stability in the marketplace by allowing the forces of supply and demand to function freely, we may very well be creating a climate for even wider price fluctuations. I say this in reference to the fact that we are giving a newly created bureaucracy life or death authority over futures markets.

Bureaucratic intervention will be substituted for free market prices. Tighter regulation of futures markets to cure commodity price fluctuations or stabilize food prices is not the answer because legislation of this kind does not get at the root of the problem, but is only directed at the indicator of the problem.

The futures market system is a system that has worked remarkably well over the years. To saddle futures markets with this legislation, and consequently further regulation, can be likened to the well-known story where the messenger—the bringer of bad news—is beheaded since he carried the sad message, not because he was the cause thereof.

For example, as now written, H.R. 13113 could destroy the futures industry in this country. This bill gives sweeping Government control over nearly every aspect of futures trading.

I point especially to section 215 of this bill for it gives the newly created five-member Commodity Futures Commission the power to decide when it should take control of the futures industry. The new Commission could take over the market if it decides that trading is fluctuating too greatly. How much is "too greatly"?

Wide-scale injunctive powers are also vested in the Commission under section 221. It can halt the transactions of any market or person who "has engaged, is engaging, or is about to engage" in any act constituting a violation of the law. How do you determine when one "is about to engage" in a violation of the act? Will this Commission be blessed with the gift of mind reading?

Section 203 of the bill particularly disturbs me since the Commission will be able to put further limitations on brokers and floor traders trading for their own accounts as well as their customers. This provision is simply not necessary—market considerations are much more forceful. At no time during committee consideration was it proved that floor traders and futures commission merchants were presently abusing their trading privileges. There is simply no good reason to give this new Commission the power to end a finely tuned practice that has been an integral part of the futures trading business for many years. In committee I supported language which would have allowed floor brokers and futures commissions merchants to continue to trade for their own and customers' accounts and if at some later date, factual evidence were presented to show that they were unfairly taking advantage of their customers, then the Commission would act to meet and correct any problems. Unfortunately, the committee did not adopt this provision. This provision could very well cause speculators and brokers to go into other businesses thus causing the closeout of a futures market for certain products—speculators and brokers provide 60 to 70 percent of the liquidity of the market.

As I have mentioned earlier, H.R. 13113 calls for the creation of a new and greatly expanded staff to perform the duties that the present agency could more effectively and efficiently do if given ample authority and staff. The opportunity to do this will come before us shortly in the form of the agriculture appropriations bill. The Congress, every year through this same mechanism, has had many opportunities to beef up the present agency to adequately meet its regulatory responsibility, but it has failed to provide the required funds for the CEA to do a complete job.

However, this failure should not be a substantial reason to junk the present CEA and create a new tangle of redtape in the U.S. Department of Agriculture, at a cost no one can predict with any certainty and personnel no one knows for sure are qualified. The established structure will do. All that is necessary is only for it to be given adequate tools to do the job.

It is for these reasons that I cannot support the bill.

Mr. WAMPLER. Mr. Chairman, I yield 5 minutes to the gentleman from Idaho (Mr. SYMMS).

Mr. SYMMS. Mr. Chairman, my opposition to this particular piece of legislation is that it is not necessary. I think before we discuss this we should talk about several things. We heard the gentleman from Texas talk about the $500 billion business that is being done on futures trading and I think we should talk about where the futures market fits into the overall agricultural and mining productivity and marketing in this country and what useful purpose it serves in providing liquidity.

Take, for instance, the silver mining companies where they spend massive amounts of money in order to extract silver from the deep parts of the Earth. They can go into the futures market and sell contracts for future deliveries, thereby giving them liquidity, so that they can take those contracts to the bank and point out they have a built-in profit at a price and can predict the future of what they are going to do as far as their own productivity, thereby acquiring needed capital to provide jobs, et cetera.

We have, for example, in northern Idaho where mining companies that spend in excess of $8 or $10 million before they have extracted a single ounce of valuable mineral out of the ground. The futures market is working very well and we are concerned that we may be doing something to upset the beautiful example of free market activities and the pricing mechanism which has worked so well.

It also works the same way for the wheat and grain producers. A farmer can predict 50,000 bushels at a price of $5 a bushel on the Chicago Board of Trade and he can go to his local broker and sell those 50,000 bushels and that gives him a hedge against future production. This is a simple part of the overall marketing situation.

I think in our regulated society which we now live in, which is becoming more and more regulated as time goes on, we are continually interfering in this market action which takes place.

I think that the important thing about this is that we should consider what happens if we dabble with this invisible hand of the market that Adam Smith talked about so often.

Prices of commodities are now set by the collective judgment of brokers, and thousands of individuals are anticipating the price. In other words, when the price gets too high, the speculator steps in and sells, and when the price gets too low, speculators start buying and force the prices back up. This helps both consumers and producers, because it provides stability and liquidity.

Part of what was behind this legislation was the fact that the soybean price went so high last year so fast; but in a careful analysis of what happened, the future price had nothing to do with the soybean price and brought about no fluctuation; but the futures price contributed to stability as the future contract prices followed the cash prices. This is one of the reasons we need to encourage more speculation. More speculation would help the silver producers, it would help the miners, would help farmers all over the country, and would help the consumers, because we need more speculators in the marketplace to provide more liquidity.

I know the chairman of our committee thinks this legislation will help get more people involved in the commodity market. I am fearful that we will have less people involved in the commodity market, because I think we have a beautiful example of a free market working now; but we are going to turn the decisionmaking for delivery points, for example, for deliveries of certain products, we are going to turn it over to the bureaucrats. We are not going to allow the economies of the situation to decide any more. We are not going to turn what contracts will be traded over to the market any more. We are going to allow the bureaucrats to do this—with friends like these, free enterprise does not need any enemies—so I would just say in closing that when we examine this legislation, we are taking another step down the road toward allowing the Government and the bureaucrats to make the market decisions which should be made in the marketplace by individuals.

I think, gentlemen, that when we think about this, we are panicking on this thing. Senator MCGOVERN himself, who was one of the first that wanted to regulate the futures market, after careful examination he said, "I guess I got egg on my face in that," because the futures market has nothing to do with the rapid rise in food prices. If anything, the futures market has helped stabilize food prices. It has provided more liquidity for

the copper miners, the silver producers and miners, and others. We are taking a drastic step in the wrong direction to turn this over to the Government when we should allow it to work in the hands of the marketplace.

Mr. MIZELL. Mr. Chairman, I would like to commend my colleagues on the Agriculture Committee for the excellent job they have done in developing this legislation.

This proposal will create a Commodity Futures Trading Commission which will be an independent entity in the Department of Agriculture and composed of the Secretary of Agriculture and four public members. The Commission's jurisdiction will include both currently unregulated commodities and certain additional categories of specialist active in future trading.

One of the main reasons I support this legislation is that regulation of futures trading will aid in alleviating excessive fluctuation of prices. The skyrocketing prices of commodities have both internationalized U.S. futures markets and have attracted huge world trading firms who deal in much larger volumes and have much greater financial resources than has previously been the case. The Commission will have the authority to bring stability to the market and help in the price fluctuations.

I urge the House to pass this necessary legislation without any major changes.

Mr. WAMPLER. Mr. Chairman, I yield 5 minutes to the gentleman from South Carolina (Mr. YOUNG).

Mr. YOUNG of South Carolina. Mr. Chairman, I rise in opposition to the bill we have before us today which concerns the Commodity Exchange Act. I think we are dealing here with three basic ideas. On the one hand, we have the idea to do nothing at all. In the second place, we have a bill before us which establishes a part-time commission. Third, is the idea which will come before us today of a full time commission.

Now, one of the things I object to in this bill is the establishment of a commission. This commission could well take over the commodities market. It could affect the commodities market, which is a free market that we have today.

Let us see what the makeup of this commission is. There will be five members on the commission. One of the people during the hearings said that this would be a nonpolitical group that would head this commission. This brings up the question I have asked, what is a nonpolitical group? One of the nonpolitical people who will be on the commission will be the Secretary of Agriculture. I do not know any nonpolitical people. The only nonpolitical people I know are those who do not breathe; otherwise, they are political.

Another thing we have concerning this commission is multiple delivery points. What we talk about when we say multiple delivery points, I would like to tell the Members a story of what happened to me down home. I took a load of my soybeans to the man at the marketplace and he says, "I will give you $2.25 for your beans."

I said, "I read in the paper this morning where soybeans on the Chicago exchange were $2.60." We bantered back and forth about the difference in the futures market and the difference between my beans and the price he was offering me.

Finally, he turned to me and he said, "Now, if you want $2.60 for those beans, you take them up to Chicago and dump them in that grain pit up there. Otherwise, I am paying you $2.25."

So, when the committee came up originally with the idea of multiple delivery points, I was in favor of this bill because I felt that we could work into other areas such as cotton, beans, corn, or whatever. But, we decided—or the committee decided—that it would put this into the hands of the commission. The commission could or could not establish multiple delivery points. Therefore, this would limit it.

Also, as was pointed out in the hearings, 80 percent, 80 percent of the people dealing in the commodities market today lose money. In other words, the professionals in the commodities market make it. Normally, I would say I have lost some money in the commodities market, so when we get into the commodities market, at least a whole lot can happen, especially when they are taking your money.

I looked out in my fields and I saw that the bean crop was short in my area and I sold short, but everywhere else they were having rain and the market went long, and I kept putting up money, I kept putting up money. I finally put up all I could and I got out.

Mr. Chairman, what I think is this: If this commission that we have could move into the market and jeopardize the market or stop the market, then I think that the freedom that we have in the marketplace today would change. This is the thing that concerns me.

Suppose that this commission, in its wisdom, said to us, "We want to stop the trading on cotton" or "we want to stop the trading in soybeans."

I think this bureaucracy could move into this $400 billion industry and affect the prices of my farm commodities.

Mr. Chairman, this is one reason I simply do not like the makeup of this bill. I think this bill should be killed and let the market operate as it has for some 60 years so that we will know that we have a free market.

The Members may not think there is a great deal of control that this commission has, but they do have controls that could disrupt the market.

Mr. Chairman, I think that the bill should be killed.

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

Mr. YOUNG of South Carolina. I will yield to the gentleman from Idaho.

Mr. SYMMS. I would like to commend the gentleman for his remarks, and say, in addition to what he pointed out about losing some money on the commodity market, that if a speculator should happen to buy a contract of silver, thinking the price is going to go up—and I have had the personal experience—but the price goes down instead, he loses his money, that is true; but he will have provided a valuable service to the overall producing community, because he has provided liquidity for the marketplace.

Mr. Chairman, it is a very important and often misunderstood point on the part of people in Government who think that speculation is bad. Really it is good. I think the gentleman makes the point very well.

Mr. YOUNG of South Carolina. Mr. Chairman, I could not agree with my friend, the gentleman from Idaho, any more, because this provides a market for my farm crops that I grow. It establishes the price. If we get Government or bureaucratic interference in it, I think we are going to break this market down.

Mr. Chairman, I think, as the gentleman from Pennsylvania (Mr. GOODLING) said a while ago, when this market is interfered with in the years ahead we lose.

Mr. WAMPLER. Mr. Chairman, I yield 10 minutes to the gentleman from Nebraska (Mr. THONE).

Mr. THONE. Mr. Chairman, I strongly support H.R. 13113, a badly needed bill. In my opinion, it is a good bill.

Mr. Chairman, like my congressional neighbor to the north, the gentleman from Iowa (Mr. MAYNE), I come from an agricultural area. For a long time the producers in my area have been genuinely interested and most concerned with the operation of the future market.

Mr. Chairman, in the fine report prepared on this bill there is a little bit of legalese on the first page, which says that this bill "proposes a comprehensive regulatory structure to oversee the volatile and esoteric future trading complex."

Mr. Chairman, in our language out home, I suppose that what they are trying to say is that they are souping up some Government machinery so as to be able to put the screws on the abnormal gyrations of a $500 billion industry that is pretty much currently in the domain of the specially initiated.

Mr. Chairman, first, in the time that I have allocated to me, I would like to acknowledge the fine direction on this bill received from our distinguished and excellent chairman of the full committee, the distinguished gentleman from Texas (Mr. POAGE).

Also, as a member of the five-man special committee which worked on this bill. I would like to acknowledge the work of the chairman of the subcommittee, the gentleman from Kentucky (Mr. STUBBLEFIELD), our Kentucky colonel; and our legal eagle from the Northwest, the gentleman from Washington (Mr. FOLEY); the gentleman from Minnesota (Mr. BERGLAND), from the Red River Valley of Minnesota, and the gentleman from Texas (Mr. PRICE), although I imagine Mr. PRICE will want to disclaim some elements of his paternity of this bill.

Mr. Chairman, special note should also be made of the many hours of work put in on this proposed legislation by the two fine lawyers on the staff of the committee, John O'Neal and John Rainbolt.

I would hesitate to estimate the many, many hours they spent writing and rewriting this legislation.

Mr. Chairman, I do not want to be too repetitious on this bill. We have covered much already of what it does. However, I would like to briefly explain to the Members of the House the function of the Commodity Exchange Authority. The current administrator of the Commodity Exchange Authority is Mr. Alex C. Caldwell, a long time career officer of the USDA. He impressed all of us with his dedication, intelligence, and ability. He testified before our committee on October 16, 1973, and the thrust of his testimony was that the futures markets are playing an increasingly important part in the pricing and marketing role as the Nation shifts to a more market-oriented economy in the field of agricultural commodities. He stated that the CEA badly needed more legislative authority to perform its mission. The Committee on Agriculture overwhelmingly agreed with his assessment, and H.R. 13113 is a most sensible and effective legislative response. It replaces the current existing regulatory agencies, the CEA and the CEC. It replaces them with a new commission, as has been already stated. It gives this commission both broadened regulatory powers and broadened jurisdiction to cover all commodities.

You may well ask why do we need the strengthening of the futures market regulation. Again I would like to call your attention to the fact there are four basic reasons and major factors compelling this affirmative action.

First, the dramatic increase in futures trading in the last 3 or 4 years; secondly, the inadequate CEA resources to get the needed job of supervision done; third, there is a serious problem of dual markets; lastly, there is an obvious self-regulation inadequacy.

As to the increase in trading, we are now in this business dealing in about $500 billion a year. Ten years ago it was $68 billion.

As to the inadequacy of the CEA resources, they are inadequate both in manpower and the statutory tools needed to get the job done.

Of the commodities traded in futures there are 24 regulated and the rest are not. You have 6 exchanges that are not regulated and 10 that are.

As to the self-regulation inadequacies, I think the 1968 amendments to this law actually operated to the detriment of the public interest. It has gotten so now that the exchanges are not doing some material items in this regard, because of possible liability of its membership. Frankly, I think the public confidence is at stake in this whole futures market area so that we can preserve, Mr. SYMMS, this free market system whose virtues you extolled so well.

One of the finest witnesses who appeared before our group was Mr. John Clagett of New York. He is a most perceptive lawyer and financier. His testimony, I think, should be taken into account by all Members of the House. He is currently the president of the Association of Commodity Exchange Firms, Inc. He has been an officer of the Chicago Board of Trade in years past, and the president of the New York Mercantile Exchange, and an officer of the New York Stock Exchange in the past and also of the CEA.

He gave us many recommendations which were incorporated into this bill. He concluded his testimony to us in this way, and I wish, Mr. SYMMS, you would give this particular attention. He said:

While it may seem unusual to some people for a person who represents an important segment of private industry to recommend more Federal control of our industry, we are recommending more Federal control in the interests of giving the public greater protection in the futures market.

In committee this bill received strong support from our side of the aisle, and rightly so.

The Department of Agriculture is in strong support of this legislation. Dr. Clayton Yeutter, the very able Assistant Secretary of Agriculture, appeared before our committee and strongly endorsed this act. His recommendation is included on page 72 of the report. This is what he said:

I want to join in those accolades, because our staff has enjoyed the relationship it has had, both with the Subcommittee and Mr. Stubblefield and the members of that Subcommittee and with John O'Neal and John Rainbolt. It seems to me, Mr. Chairman, that this group of people has done the finest job of legislative draftsmanship on a very complicated subject that any of us has seen in the agriculture area in a long time. They are really to be complimented. As you know, this is one of the most complex subject matter areas that any one of us can deal with. It is not easy to draft legislation in this area. Yet it is extremely important. I suppose few people recognize how truly important this legislation is.

Mr. Chairman, you are to be complimented on your leadership, too, because this might well be one of the most important pieces of legislation that has come out of the Committee on Agriculture in a long, long time. So it does merit everyone's attention.

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

Mr. THONE. I yield to the gentleman from California, but I do so with some trepidation.

Mr. ROUSSELOT. Mr. Chairman, I can appreciate the expressed trepidation of the gentleman from Nebraska on the basis of our previous conversations on this bill. However, I would ask the gentleman from Nebraska this: Is not quoting to us from one of the bureaucrats, who is going to be involved one way or another in this legislation, clearly a declaration from a vested interest point of view? Naturally bureaucratic advocates would be all for establishing this commission, since they helped to draft the bill.

Mr. THONE. No, I do not think so, I will say to the gentleman from California, "No." Sure, Mr. Caldwell has been around this Department for a long, long time. He, in this time, has had some adverse court decisions on departmental action that complicate this whole area, and he does not exactly know what his authority is. The thrust of his testimony was that he just does not have the legislative tools to properly regulate this industry.

Mr. ROUSSELOT. If the gentleman will yield still further, if that is true, then why should we not give that authority to the agencies that already exist, instead of setting up another bureaucracy?

The CHAIRMAN. The time of the gentleman has expired.

Mr. WAMPLER. Mr. Chairman, I yield I additional minute to the gentleman from Nebraska (Mr. THONE).

Mr. THONE. Mr. Chairman, I thank the gentleman for yielding me this additional time.

This bill replaces the existing commodities regulatory agencies (CEC–CEA) with a new commission, given both regulatory powers and jurisdiction over all commodities.

BACKGROUND

DEVELOPMENT OF THE FUTURES MARKET

In the 19th century, commercial commodities markets developed in most urban centers to accommodate the exchange of produce between farmers within the region and town-based suppliers, processors, and other users. These were essentially "spot" markets in which goods were directly exchanged for cash as a result of bargaining between buyers and sellers. The major shortcoming, however, was that each harvest season brought a glut of commodities to the market which could neither be adequately transported, stored or processed, resulting in severely depressed prices during harvest time and prohibitively high prices and serious scarcities during the off-season.

In order to alleviate both physical congestion and violent price swings, the practice of selling crops in specified quantitities and qualities for future delivery gradually evolved. By 1860 such trading began to include a specified price for the future delivery; and in the years thereafter, quantity, quality and price of these futures contracts were also frequently standardized. The contracts themselves could then be exchanged in transactions entirely separate from the physical movement of commodities. With the subsequent development of formal meeting places or exchanges to facilitate the trading of such contracts, the modern futures market had largely come into being.

As American agricultural production surged in the post-Civil War period, the futures market thrived as producers, merchants and processors of commodities all found it to be mutually advantageous. Producers could eliminate the risk that the price of a commodity would deteriorate, often to levels even below the cost of production, by the time it was ready for marketing; buyers and proces-

sors could obtain guaranteed delivery at a set price when the commodity was needed; in return for risk-taking middlemen, brokers, and speculators provided inputs of liquidity and special skills needed to finance and organize the marketing process; and the futures market as a whole tended to reduce price fluctuations and provide for more efficient use of transportation, storage, and processing facilities.

EARLY ATTEMPTS AT REGULATION

After the Civil War, many States passed legislation to prevent fraud, manipulation, and other artificial price distortions in commodity markets. During the mid-1880's Federal regulation of certain commodities through the taxing system was approved by both Houses, although it never became law.

The boom and bust of agriculture prices which occurred during and after World War I brought renewed pressure for Federal regulation; pressures became so great that nearly 200 bills were introduced in Congress. The Futures Trading Act was subsequently enacted in 1921, but because it adopted the taxation approach that had been proposed nearly 40 years earlier, it was ruled unconstitutional by the Supreme Court.

Congress quickly responded to this decision by adopting essentially the same legislation in 1922, but this time providing for a direct Federal regulatory agency, the Grain Futures Administration, under the aegis of the newly expanded commerce clause.

The Grain Futures Act of that year sought to prevent excessive speculation and cornering of the market while protecting legitimate trading operations. The legislation established two principles which are still the basis of commodities regulation: First, futures trading in regulated commodities could be conducted only on federally registered markets, and second, the supervision of futures trading would be the joint responsibility of the Federal Government and each exchange. The 1922 act provided for the regulation of seven major grain commodities including wheat, corn, and rye.

SUBSEQUENT LEGISLATIVE DEVELOPMENTS

An amendment in 1936 changed the title to the Commodities Exchange Act and retained the basic provisions of the 1922 act. This New Deal legislation expanded regulatory authority to encompass six additional commodities, including cotton, butter and eggs, and to cover the registration of all merchants and brokers. The newly designated Commodity Exchange Commission was authorized to limit speculation and prevent fraud. During the next 30 years the act was frequently amended to include additional commodities such that today 24 major classes of commodities are subject to limited Federal regulation.

In 1968 the last significant amendments to the act were adopted. In addition to coverage of trading in livestock and livestock products for the first time, the amendments also provided that: First, to qualify for registration, futures contract merchants were required to meet minimum financial standards whereas previously the registration procedure was pro forma; second, embezzlement of funds was made a felony; third, cease-and-desist orders were authorized for minor infractions as an alternative to a major penalty; and fourth, exchanges were required to enforce their own rules.

CURRENT REGULATION

Formal responsibility for administering the act is lodged in the Commodity Exchange Commission, composed of the Secretary of Agriculture, the Secretary of Commerce, and the Attorney General, However, the Commission is relatively inactive and meets only infrequently to fix trading limits and take punitive actions against contract markets. Primary operating responsibility, therefore, falls on the staff of the Commodity Exchange Authority, a separate agency within the Department of Agriculture.

The Authority is headed by an Administrator who reports to the Assistant Secretary for Marketing and Consumer Services and has regional offices in the cities containing the 10 regulated contract markets. It is responsible for the limited regulation of exchanges, brokerage firms, floor brokers, and contract traders in those markets which deal in regulated commodities. Among its duties are: First, the designation of boards of trade as contract markets; second, the registration and suspension of commission merchants and brokers and the establishment of minimum financial requirements; third, the issuance of rules and regulations, and the investigation of market operations; and fourth, the prosecution of violations in administrative and civil courts.

The boards of trade are largely responsible for regulating themselves under present law. They are required to maintain inspection services, keep records of all transactions, prevent price manipulation and fraud, enforce speculative limits on trading, and prohibit other illegal trading practices.

PROBLEMS AND THE NEED FOR REFORM

The drive for strengthening of futures market regulation has been spurred by at least four major factors.

Increase in trading: The first of these is simply the enormous increase in the magnitude of trading since the late 1960's. As is shown in the table below, the volume of regulated futures contracts has doubled in the last 10 years and the dollar value has nearly tripled. Including unregulated commodities, nearly $400 billion worth of futures contracts were traded in 1972–73, a figure more than twice the level of the previous year.

CHANGE IN VOLUME AND VALUE OF CONTRACTS: SELECTED YEARS

Year	Regulated commodities		Nonregulated commodities		Total	
	No. of contracts*	Value**	No. of contracts	Value	No. of contracts	Value
1963–64	6, 108	$60. 9	748	$7. 7	6, 856	$68. 6
1966–67	9, 579	86. 4	1, 048	7. 6	10, 627	94. 0
1969–70	10, 312	92. 9	1, 965	42. 7	12, 277	135. 6
1971–72	12, 577	148. 0	3, 006	41. 4	15, 583	189. 4
1972–73	17, 821	268. 3	5, 684	131. 0	23, 505	399. 3

* Thousands of units.
** Billions of dollars.

Source: USDA.

One reason offered for this dramatic increase in trading activities is the poor performance of the securities market in recent years, and the resulting increased willingness of both investors and brokers to shift their activities and funds to commodities trading. Some major securities investment firms are now deriving nearly 25 percent of their commission income from commodities; at Merrill Lynch, for example, futures commission revenues have increased more than 90 percent in the recent past. As a result, the price for a seat on the Chicago Mercantile Exchange has reached $112,500 compared to a price of $95,000 on the New York Stock Exchange.

Another important reason for the volume increase is the growing world commodity supply squeeze. The resulting skyrocketing prices have both internationalized U.S. futures markets and have attracted huge world trading firms who deal in much large volumes and have much greater financial resources than has previously been the case. In the view of some, this change in the scope and structure of futures markets has significantly increased the potential for manipulation and other illicit practices.

Inadequate CEA resources: In the face of this surge in activity, manpower and resources available to the Commodities Exchange Authority have been largely stagnant. Between 1970 and 1973, authorized CEA personnel levels remained constant at about 160, and appropriations were increased by less than 20 percent.

Moreover, the Authority continues to be plagued by administrative bottle necks inherent in the act. It has no legal staff, the Administrator of the CEA is subject to direction from both the Commission and the Secretary of Agriculture—through an Assistant Secretary—and must often secure clearance through five levels of bureaucracy before imposing a penalty for violations of the Act. In addition, the CEA has suffered from a serious inability to at-

tract adequately trained and experienced personnel.

Dual market: 44 commodities are now actively traded on futures markets, but as shown in the table below, the CEA has regulatory authority over only about half of these. As a result, traders find themselves dealing in regulated commodities on a registered market at one moment, and in unregulated commodities on the same market or on an unregistered exchange, at the next.

COMMODITIES ACTIVELY TRADED IN FUTURES MARKET

REGULATED

Barley	Livestock
Butter	Livestock products
Corn	Mill feeds
Cotton	Oats
Cottonseed	Peanuts
Cottonseed meal	Rice
Eggs	Rye
Fats and oils	Soybeans
Flaxseed	Soybean meal
Frozen concentrated orange juice	Wheat
	Wool
Grain sorghums	Wool tops
Irish potatoes	

UNREGULATED

Aluminum	Mercury
Apples	Nickel
Cocoa	Palladium
Coffee	Platinum
Copper	Plywood
Fishmeal	Propane gas
Foreign currency	Silver
Iced broilers	Sugar
Lead	Tin
Lumber	Tomato paste

Source: USDA.

Moreover, the rapid growth in trading of unregulated commodities has spawned six nonregistered exchanges in addition to the 10 currently regulated; the former deal exclusively in unregulated commodities and are bound by none of the requirements of the CEA, including the prohibition on options trading—puts and calls—requirements for separate customer accounts, restraints on self-dealing and inside trading and the like.

With the increased volume in trading and the infusion of new investors in nonregulated markets, some illicit trading and exchange failures have resulted. The collapse of a California commodity exchange reportedly resulted in $71 million in customer losses.

Small investors in particular, have been attracted to unregulated markets by the sale of "options" which entitle a buyer to the "right" to purchase or sell a contract in the future. Since these are often not hedged and are only covered by the good faith and solvency of the broker, pyramiding schemes have flourished. Ultimately they collapse leaving unwary investors with no way to recoup their investments.

Self-regulation: Some observers believe that the provision of the 1968 amendments requiring exchanges to enforce their own rules, thereby implicitly giving private parties the right to sue for nonenforcement, has had a perverse effect. To avoid risk of litigation, exchange authorities have been encouraged to reduce rather than strengthen rules designed to insure fair trading. In addition, the publicity and attention generated by historically unprecedented commodity price levels has led to widespread charges that Boards of Governors have been unacceptably lax in policing their own markets and in seriously investigating allegations of illicit practices.

PROVISIONS

COMMODITY FUTURES TRADING COMMISSION (CFTC)

The functions of the existing Commodity Exchange Commission and the Secretary of Agriculture—through the Commodity Exchange Authority—are transferred to the new Commission. The CFTC will be an independent entity in the Department of Agriculture composed of the Secretary and four public members. The latter are to be appointed on a bipartisan basis by the President with the consent of the Senate, and will serve staggered 5-year terms. The President will also appoint a chairman from among the five members, subject to Senate approval.

The Commission will have its own General Counsel and legal staff, budget authority independent of the Department, and its own administrative law judges for authorized adjudicatory proceedings. Trading in commodity markets by Commissioners or staff is prohibited as is imparting of inside information to private parties. The GAO is required to make an annual review of the Commission's books and records.

EXPANSION OF REGULATORY SCOPE

H.R. 13113 expands CFTC jurisdiction to include both currently unregulated commodities and certain additional categories of specialists active in futures trading. In the former case, all commodities actively traded at present, or commodities for which markets develop in the future, will be subject to CFTC regulation—except for those traditionally under SEC jurisdiction.

Commodity pool operators and trading advisers will be required to register annually with the Commission in a manner similar to commission merchants and floor traders under present law; pool operators run the equivalent of mutual funds for commodity investors and trading advisers perform functions similar to security analysts. In addition, certain associates of commission merchants involved in the solicitation or supervision of customer orders will also be required to register every 2 years and comply with the act.

In general, these new registrants will be subject to the same application, disclosure, reporting and disciplinary procedures that now apply to merchants and traders, including suspension or revocation proceedings for noncompliance. In addition, pool operators will be required to regularly furnish statements of account to each participant or investor in the pool, and neither pool operators nor trading advisers may use the mails to defraud clients.

Bank officers and newspaper reporters and publishers whose futures market services are incidental to their regular business operations and trading advisers who service less than 15 clients per year will be exempt from the registration requirements.

CFTC REGULATIONS OF REGISTRANTS

The CFTC is given two major new powers to assure fair trading and conduct by traders and merchants. First, it may establish standards and require written proficiency examinations to determine the skill and fitness of applicants for registration as commission merchants and floor traders or their associates. These powers may be delegated to futures associations registered pursuant to provisions elsewhere in the act.

Second, the Commission must determine, after notice and opportunity for hearings, whether or not commission merchants and floor traders may trade for their own account while executing a customer's order. If such permission is granted, the Commission must prescribe the terms and conditions of trading, but is required to consider the effects on market liquidity and may not prohibit boards of trade from establishing conditions more stringent than its own.

CONDITIONS FOR DESIGNATION OF CONTRACT MARKETS

Four new requirements are imposed on boards of trade as a condition for designation as a "contract market." First, they must demonstrate that futures contracts to be traded will serve the economic purpose of establishing prices for commodities and of providing means for legitimate hedging, as opposed to simple speculation.

Second, contract markets will be required to establish rules regarding geographic points of delivery designed to prevent or reduce market congestion, price manipulation or abnormal transportation patterns. The Commission may impose new or additional points of delivery if, after opportunity for hearings, it determines that the above objectives are not being met.

Third, contracts markets must establish procedures for voluntary arbitration of customer claims not exceeding $5,000. Finally, all rules and by-laws regarding the conditions of trade on a contract market must be submitted for CFTC approval, except for those relating to margin requirements. If a board of trade does not voluntarily comply with Commission suggestions for changes, the Commission may impose them by order or other regulation. Rules and bylaws subject to this provision include those relating to contract terms and conditions, form and manner of contract execution, financial responsibilities of members, methods of business solicitation and accounting procedures.

CUSTOMER REPARATION PROCEDURE

The CFTC is empowered to conduct adjudicatory proceedings to resolve complaints or claims filed against merchants, brokers, and other registrants under the act which are not settled by the authorized voluntary procedures. Upon reasonable evidence of a violation and after notice and opportunity for hearings, administrative law judges will determine whether a violation has been committed and the damages to be awarded, if any. They must consider the public interest to be protected by the antitrust laws as well as the provisions of the Commodity Exchange Act.

Parties adversely affected by a reparation order may appeal such decisions in

U.S. district court. Both foreign complainants and respondents appealing an award must post bond at double the amount of the claim or award. Registrants failing to appeal or pay reparation orders will be automatically suspended from trading until the award is paid with interest.

COMMISSION INTERVENTION IN THE MARKET

The Commission is authorized to take certain actions when it determines that orderly trading is threatened by the amount of supplies, number of contracts, relative size of individual traders' positions, price movements, the impact of Government edicts, or a market emergency. To restore, orderly trading, it may suspend trading, extend the expiration of futures contracts dates, and order liquidation of open contracts. A "market emergency" is defined as any situation where the market is affected by a significant intervention by foreign governments, war, price controls, export embargoes, or other disruptions.

NATIONAL FUTURES ASSOCIATIONS

The bill authorizes the CFTC to register national futures associations for the purpose of promoting industry compliance with the act and the rules and orders of the Commission. Registered associations must be in the public interest, have rules designed to further fair and equitable trading, provide arbitration mechanisms, and establish procedures for disciplining members.

The Commission will reserve the right to suspend any association failing to maintain its rules in conformity with the act, and to alter association rules, set aside disciplinary actions, and expel association members who have violated the act. To induce membership in such associations, nonmembers registered under the act must pay the CFTC for performing regulatory duties which an association would otherwise administer.

ENFORCEMENT

The enforcement powers of the Commission are strengthened in three principal ways: First, the Commission may seek—through the Attorney General—court imposition of civil penalties of up to $100,000 per violation when it issues cease and desist orders.

Second, penalties imposed by the Commission as a result of administrative disciplinary proceedings are raised to $100,000 per violation. In assessing such penalties the CFTC must consider the size of the respondent's business and his ability to continue operations, or his net worth if he is not primarily engaged in the futures market.

Finally, the CFTC is given new authority to seek injunctions—through the Attorney General—in U.S. district court to prevent violations of the act and Commission rules and orders, or to prevent efforts to "squeeze," corner or otherwise restrain trading in commodity futures.

OTHER PROVISIONS

The bill continues the ban on options—puts and calls—trading for currently regulated commodities, but would permit it in the case of newly covered commodities unless, after notice and hearing, orders are issued by the CFTC prohibiting such transactions.

The current definition of "bona fide hedging transactions" is deleted, and the CFTC is given administrative discretion to define the term by means of an order consistent with the purposes of the act.

COSTS

The committee estimates that additional costs incurred by H.R. 13113 will total about $25.6 million during the 5-year period from fiscal year 1975, when the new Commission will become operational, to fiscal year 1979. For this same 5-year period, cost estimates for the present CEA law, which provides for the operation of the Commodity Exchange Authority, are estimated at $23.8 million. Therefore, total costs for the entire regulatory program, under present law and H.R. 13113, will be about $49.3 million for this 5-year period.

COMMITTEE ACTION

The Agriculture Committee held hearings on the commodity futures trading industry for 4 days in October 1973 and on the original bill H.R. 11955, during January 1974. During February markup sessions on this legislation, over 50 amendments were made, including the following major ones. The provision requiring the Secretary of Agriculture to be permanent chairman of the CFTC was amended so that any of the five commissioners could be appointed chairman. Language regarding pay levels of employees of the commission was modified at the request of the Post Office Committee. The committee deleted a section which would have granted an antitrust exemption to contract markets and futures associations if they were acting in connection with a CFTC order and replaced it with a section which requires the Commission to consider the public interest in issuing orders. Title III—creating a commodity investor protection corporation—was removed completely. This clean bill, H.R. 13113, was reported on March 6 by a vote of 24 to 8.

Mr. ROUSSELOT. If the gentleman will yield further, let me repeat what I started to say: Is it not true that it would be better to give this authority to the agencies that already exist instead of creating another whole bureaucracy? This is another instance in which Congress constantly is criticized for setting up agency after agency to do the same things. Would it not be a more suitable way to have just one regulatory agency?

Mr. THONE. No, I do not believe so. I think this commodity futures trading commission is the ideal regulatory setup. You have the best of two worlds here, first, the aspect of the independent commission, and on the other hand you have the close tie-in with the Department of Agriculture. I think that this is the ideal way to do it, rather than to superimpose more duties on the CEA. I do not think that the current structure can handle the proper regulating of this $500 billion industry.

Mr. ROUSSELOT. Mr. Chairman, I appreciate the gentleman from Nebraska yielding to me again. I would say to my friend; the gentleman from Nebraska, that I am a little disappointed because I know the gentleman from Nebraska and I have been sharply critical insofar as the implementation of wage and price controls, and that the gentleman agrees with me that the Cost of Living Council that was set up by the Economic Stabilization Act has really messed up the free market. So, Mr. Chairman, I am disappointed to see my friend, the gentleman from Nebraska, joining in with the other side that wants the Federal Government to regulate more and more of the natural marketplace and to put the Government in areas where it does not belong.

Mr. THONE. Mr. Chairman, I will briefly say that I think we will be preserving the vitality of the commodity futures trading markets by this somewhat limited regulation in this bill, and which is essential in the public interest.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. WAMPER. Mr. Chairman, may I inquire how much time I have remaining?

The CHAIRMAN. The Chair will state that the gentleman from Virginia has 3 minutes remaining.

Mr. WAMPLER. Mr. Chairman, I yield 1 minute to the gentleman from Idaho (Mr. SYMMS).

Mr. SYMMS. I thank the gentleman for yielding.

I should just like to point out, in emphasizing what the gentleman from California brought out, that one of the bureaucrats that I talked to—and I know not what the gentleman's name is—who works for the Commodity Exchange Authority, said to me that he thought it was an outrage that people were allowed to trade futures contracts of silver coins because it served no economic purpose. I pointed out to the man that when we have a Congress which continues to inflate the currency by printing legalized counterfeit money that it serves an economic purpose of protecting the wealth of those who are protecting themselves from inflationary monetary policies of the politicians of this country and it helps them preserve wealth so that they will be able to pick up the pieces of our economy, after the paper money becomes totally valueless, which I predict it will unless the Congress of the United States has a sudden awakening of what they are doing with our money.

I think the gentleman from Nebraska (Mr. THONE) would agree with me that this Commission will have the unmitigated authority to bar any product from being traded on the futures market if they so see fit, and I hate to turn that judgment over to the bureaucrats when it should be left in the free market.

The CHAIRMAN. The time of the gentleman has expired.

Mr. POAGE. Mr. Chairman, I yield 3 minutes to the gentleman from Iowa (Mr. SMITH).

Mr. SMITH of Iowa. Mr. Chairman, the commodity markets encompass a

rare combination of individuals and companies ranging from the most conservative businessmen who will not move without hedging their risk to the most venturous and the gamblers who do not know a soybean from a sour dock.

Even the big companies in the business are very unusual. The giants like Cargill and Continental are family corporations which are free to plunge and are not held back by restraints placed on officers of corporations with wide public ownership. Indeed, it was the ability to plunge that made them big.

When these markets were first brought under Federal regulation back in 1922—Grain Futures Act—it was recognized that involving some gamblers would be necessary in order to provide the liquidity needed so dealers in commodities could readily hedge their transactions.

The Commodity Exchange Act was designed to limit and regulate this form of gambling in tandem with hedging for the purpose of reducing "sudden or unreasonable fluctuations in the prices . . . which are detrimental to the producer or the consumer and the persons handling commodities . . ." Clearly, the primary purpose of the law which permits commodity markets to exist is to serve those who hedge, and speculation is to be permitted only to the extent that it serves the primary purpose.

Whenever the commodities futures markets fail to reduce the risk at a reasonable cost, the justification for continuing those markets is lost. Therefore, it is necessary to make sure the futures markets do reduce risks for hedgers at a reasonable cost.

I want to make it clear that I believe that in the past several generations, the commodities futures markets have performed an important service for producers, processors and others who are involved in commodities in their businesses. Although there have always been occasional problems, in most years the commodities markets have operated free of the kinds of abuses which occurred last year. But, relying upon what has worked in the past is no assurance that it will be sufficient in the future under the vast changes which have occurred in our commodities industry in the past few years. Production and transportation to overseas customers has increased so much in the past 10 years that in 1974 we will sell more soybeans overseas than we produced in the whole United States 10 years ago.

While the volume transported off farms has increased tremendously, the ability to transport has not increased accordingly. Also, the number of international traders through which it moves are very few. Since a greater volume of these commodities is eventually moving through the hands of a smaller and smaller number of merchants, there is a greater and greater opportunity, either intentionally or merely as a result of dislocation of supplies, for a squeeze, a manipulation, or some other abuse to occur which further magnifies the distortion in the system.

Under these changed conditions it should be no surprise that the demand for a place to hedge has skyrocketed. Last fiscal year the commodities exchanges handled about $400 billion in contracts compared to a total of only $200 billion for all stocks and bonds handled by the stock exchanges. It would be a bad mistake to pretend that a mechanism which worked so well most of the time in the past does not need updating in light of the changed situation and I feel that unless changes are made, there will be frequent abuses in the future.

I also think it would be a mistake to believe that the vulnerability of the commodities markets is only temporary. When there was always a surplus of most commodities and an abundance of transportation to ship those commodities in lieu of buying back a futures contract, there was little possibility of a squeeze except perhaps in eggs or some of the special commodities of lesser importance. We not only do not have a surplus of commodities now but we also have embarked on an all-out production and consumption program without an effective reserve mechanism which could be used to reduce the height of the peaks and the depths of the valleys, and this means that the uncontrollables such as the weather can produce at short intervals the situations which are conducive to abuses.

We have been hearing from some people that nothing has happened to the commodities markets to warrant any changes or give cause for concern. If any of you do entertain that notion, I suggest that you step out and call a central Iowa grain elevator and secure today's price for December corn or soybeans.

You will find that December corn is being forward priced in central Iowa at approximately 50 cents per bushel under the Chicago futures price. In most previous years, the differential would have been more like 20 cents per bushel. When farmers must sell for 50 cents per bushel less on a forward contract, obviously something very drastically has happened and there is a need to see if something can be done to remedy it rather than to pretend that no corrective action is necessary. The fact is that many local elevators are so uncertain of the cost of marketing corn and of carrying contracts that they feel compelled to add 20 or 30 cents per bushel in order to cover the unknown risks for which they paid dearly last year.

The futures markets had worked so well under surpluses that most Iowa merchants had come to assume they could get in and get out at any time and that the futures contract price would always correspond to the Iowa cash price plus transportation and handling costs. But, during the past year, we have had a taste of what can result from the vast changes which have occurred in our grain production and marketing industry. For example:

JULY CORN CONTRACT

When the July corn contract last summer expired, transportation was not available to deliver corn to Chicago in the volume needed in lieu of buying back contracts; and even if it had been available, the Chicago delivery points named in the contracts could not have handled that volume anyway. As a result, the holders of the long-side of those July futures contracts were able to demand and get as much as $1.30 per bushel more for their contracts than the corn would have cost the seller in Iowa plus the normal cost of handling and transportation. This is a case where transportation alone caused the problem and it could have been remedied had there been only two or three alternate delivery points in Iowa and Illinois.

1973 SOYBEAN CONTRACTS

Another example of problems this new situation can present is provided by the soybean contracts last year. By March of last year soybeans were largely concentrated in the hands of a relatively small number of processors and traders and therefore there was little possibility that enough soybeans could be delivered to satisfy the long contracts. Also, the relatively few holders of that inventory held a large amount of the long contracts. On one day last summer, more than 90 percent of all the long contracts on July soybeans on the Chicago Board of Trade were held by only four traders. This is an example of how a situation can develop where even with enough transportation those who hedged by selling short can be caught and unable to get out at anything like a reasonable cost. This could occur because most of our soybean crop moves through a handful of companies which both process and export. Alternate delivery points would not have cured that situation.

1973 COTTON MARKET

Another example of what can happen when a commodity is in short supply is the situation which occurred on the cotton market last fall when one trader on the New York Cotton Exchange held 67 percent of all the long contracts for the month of October. I am sure that when the Commodity Exchange Act originally passed no one envisioned a situation where one trader would ever control that high a percentage of any contract. As far as I know, there was nothing illegal involved and I am not criticizing anyone for this having occurred, but it illustrates the need to reexamine the authority and ability of the market system to facilitate hedging without bankrupting some people who innocently get caught on the wrong side and cannot get out.

What I am trying to illustrate by these examples is that while I believe there is a need for a mechanism with which businessmen can hedge at a reasonable cost, I am also convinced that the situation has so changed and is so subject to abuses that unless some positive action is taken in the very near future, there is real danger that futures trading in all commodities will be outlawed just as onion contracts were outlawed several years ago. This bill represents an attempt to save the commodities futures market system and make it work better.

This bill recognizes that it is not possible to anticipate and specifically legislate against each situation or combination of situations which may occur. Therefore, the bill provides for a commission similar to the Securities Exchange Commission and gives it the

power and the responsibility to monitor the markets on a continuing basis and to take whatever action is necessary to prevent or correct any squeeze, manipulation or other abuse which interferes with the free flow of the market and prevents hedgers from securing a reduction of risk at a reasonable cost. The bill also specifies certain prohibitions, guidelines, and rulemaking powers and procedures, which in many respects are similar to those included in the law which established the SEC 40 years ago.

In many instances, the mere existence of remedial authority will cause the Boards of Trade to do a better job on their own. For example, there clearly is a need for alternate delivery points for corn and soybeans. Under this bill, the Commission may under a certain procedure, require alternate delivery points. I would hope and believe the mere existence of that authority will cause the Chicago Board of Trade to establish the needed alternate delivery points.

It is also very necessary to cover unregulated commodities with the same protection. Many very important commodities are now being traded by businessmen who do not even have the protection offered under existing law. The present law specifies which commodities are covered and thus several metals, livestock products, and building products are not covered. I think petroleum contracts are needed and will soon be added. Some of the most important commodities and the majority of the dollar volume will then be unregulated unless we pass this bill.

When speculators are prevented from manipulating some commodities because they are regulated but are free to trade in others which are nonregulated, it is bound to result in a movement by the manipulators toward nonregulated futures. It seems to me that the only contracts that should be sold on the futures market are those for which there is an economic purpose; and that if there is an economic purpose for a contract, then it should be regulated and the dealers who are hedging an economic risk should be protected. In other words trading in all futures should be under Federal regulation.

I think there is a very real danger that futures markets will be squeezed or manipulated by foreign companies some of which have access to huge resources of foreign governments. They can buy at a fixed price from a grain dealer who in turn hedges his risk on our commodities markets.

By dealing with four or five companies simultaneously the way the Russians did, the foreign company can sometimes buy more of one commodity at a fixed price than could possibly be delivered. They can indirectly speculate in huge volumes on our market. The grain companies who sell to him would not know at the time they sign the contract for a fixed price the extent to which other dealers are also obligating themselves for the same kind of grain. This happened in the Russian grain deal. They bought 50 percent more wheat than they needed. Cargill said that although they assumed the Russians were negotiating with others, they had no idea they were buying the quantity of grain which they bought. They then transferred the huge risk involved onto the backs of the unsuspecting American producers and processors. By overbuying their needs, they could later sell part of it at a much higher price and profit from a manipulation which would be prohibited for domestic traders. I think it is inevitable that such a huge manipulation or distortion in some commodities will occur if steps are not taken to prevent it.

If another such deal with a foreign purchaser causes an excessive and artificial drain on one of our commodities, it is almost inevitable that export controls will be imposed and export controls in my judgment would be dealing with a situation in a very bad way and cause irreparable harm to our marketing system. The Department has no contingency plans available to deal with such a problem. The small staff of CEA is busy with existing problems. I think there is a need to acquire some specialists and immediately assign them to develop contingency plans to deal with situations such as this which may arise and to monitor the markets on a daily basis to uncover a squeeze in its infancy.

It is not possible for the present Commodity Exchange Authority with its limited authority and very small staff located at one end of one wing of the Agriculture Department to provide the surveillance and actions which I believe are necessary to cope with this vastly changed situation and I do not think we can any longer depend upon self-regulation as heavily as we have in the past.

I will cite one concrete example to show why I believe a beefed up agency is necessary. In early August 1972, a complaint was filed alleging a manipulation of the September wheat contract on the Kansas City Board. Both the CEA and the Kansas City Board of Trade started an investigation of the alleged manipulation of this contract. In September the Kansas City Board completed its investigation with a finding that the market had functioned properly and that there was no indication of price manipulation. The CEA was unable to complete its investigation until nine months later but they indeed did find that the market had been manipulated, not just once but for several days. The case was turned over to the Justice Department but great damage had already been done. This shows both how we cannot depend upon self-regulation and also that additional expertise must be made available to the CEA so that it can move much faster.

The bill which we are now proposing assumes that we cannot anticipate and specifically legislate against every conceivable abuse which could arise and that the best way to handle the situation is to have a competent regulatory agency with the resources available to exercise surveillance over the markets to the extent needed to assure that those who need to hedge will be able to do so at a reasonable cost. If the cost of using the commodities market for forward contracting is to be reduced back to an acceptable level, I think it is absolutely essential that we restore confidence in this mechanism and that it be done without any unnecessary delay. I believe this bill provides the authority and mechanism needed and I strongly urge a vote for the bill.

Mr. YOUNG of South Carolina. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Iowa. I yield to the gentleman from South Carolina.

Mr. YOUNG of South Carolina. I thank the gentleman for yielding. I wonder if the gentleman would react to the possibility of this Commission's suspending trading in the market. Would this affect the price to the farmers for the commodities that they offered?

Mr. SMITH of Iowa. They suspended trading in soybeans last month. If they could have moved in soon enough, they could have done it for 3 months, and then let the market operate. That is one thing they can do under this bill, and that is use their tools to anticipate these problems so that they do not have to shut it down for 2 months.

The CHAIRMAN. The time of the gentleman has expired.

Mr. POAGE. Mr. Chairman, I yield 2 minutes to the gentleman from Washington (Mr. FOLEY), who will close the debate.

Mr. FOLEY. Mr. Chairman, there has been a very clear record here of a bipartisan effort by the Committee on Agriculture to bring before this House a responsible, moderate, and effective bill to provide continued futures and commodities trading under conditions which will protect the public interest.

Testimony has been recounted from leading members of the industry supporting this bill.

The administration supports the bill. The major national farm organizations such as the American Farm Bureau Federation and the National Farmers Organization and others support this bill.

The committee can be proud of the bill we bring before the House today and ask for support of the Members of the House with confidence. I am convinced that this legislation will be seen in the future as one of the major acts of the 93d Congress.

Mr. WAMPLER. I yield 1 minute to the gentleman from South Carolina (Mr. YOUNG).

Mr. YOUNG of South Carolina. Mr. Chairman, if the gentleman from Iowa (Mr. SMITH) will respond to a question I had earlier concerning this embargo when the price of beans went from $11 to $6.00, then the embargo was put on. The thing that concerns me as a farmer is: Could this happen with this Commission being established, where they could suspend the marketing of beans on the market. Could this affect the price of the product, of the beans I am growing on my farm?

Mr. SMITH of Iowa. Mr. Chairman, if the gentleman will yield, I am very much opposed to the embargo. Since we now have foreign countries entering our markets to buy our products in large volume, if we do not have some tool which we can use such as a Commission which can supervise and avoid the

abuses such as developed last summer, then we are going to have embargoes imposed by the Congress, and the way to avoid embargoes therefore is to avoid abuses and the kinds of situations this Commission can prevent.

Mr. YOUNG of South Carolina. Mr. Chairman, this would preclude then, from the gentleman's statement, the trading or buying by foreign countries?

Mr. SMITH of Iowa. Not at all. We will detect it and know when they are in the market. The information is available. We will have a Commissioner. He will have I hope the confidence and ability to see that the thing is covered.

Mr. ROSTENKOWSKI. Mr. Chairman, while I intend to support this commodity regulation legislation when it is voted on this afternoon, I shall do so only with some reluctance. Too often, the Federal Government is called to intervene into areas that might better function by themselves. We are all aware of instances where the congressional solution to a problem has in the long run, been more burdensome on the economy than the problem was itself. I am afraid that H.R. 13113 might be just such a case where the cure is more deadly than the disease.

It is my impression that this legislation is being promoted as the best approach to curtail those commodity trading abuses which brought about the unprecedented surge in raw agricultural product prices. While this legislation might indeed curtail certain methods of commodity trading, I do not feel that it has been clearly established that commodity trading itself was in any way responsible for the increase in food prices.

The principles of future trading themselves, are clearly designed not to inflate prices but rather to produce the lowest marketable price at a specific time. If we seek to alter those practices that do tend to inflate prices in our present market structure, we should take a serious look at the reasons behind the agricultural shortages of the past year and at those governmental policies that encourage exports in such a time of shortage.

After consulting with many individuals involved in different aspects of commodity future markets including both the Chicago Mercantile Exchange and the Chicago Board of Trade, I believe there are several deficiencies in the present legislation that should be reevaluated before the bill is passed in its final form.

I am particularly concerned with the long-range problems that might arise from the enactment of sections 203, 211 and 215 as they are presently drafted.

Section 203. This section seeks to regulate the activities of a floor broker who trades for his own account and also executes orders for customers. But, it is my impression that the provisions as presently written could result in the flat prohibition of a floor broker ever trading for his own account if he executes orders for customers. The trading of such floor brokers for their own accounts seems to assure market liquidity, price stability and the avoidance of sharp price fluctuations.

Many of the exchanges have adopted and enforce stringent rules which regulate and control the trading activity of floor brokers to prevent abuse, conflicts with customer interests or self-preferences. I understand that the Chicago Mercantile Exchange and the Chicago Board of Trade have very complete and stringent systems of rules and regulations controlling such trading activities. Complaints of violation of such rules are rare, but when they occur, are heavily penalized. The statutory scheme should make use of such exchange self-regulatory conduct as an effective method of dealing with the day-to-day supervision required.

Section 211. This section seeks the enactment of new section 6c of the Commodity Exchange Act which would authorize the new Commission to request the Attorney General to file an injunctive suit against any contract market or other person "about to engage" in a violation of the act or of the rules, regulations or orders thereunder. Unfortunately, it appears that no standard is set for determining when a violation "is about to occur." The phrase is subjective and could result in the institution of serious judicial proceedings merely upon suspicion.

Section 215. This section would create an overlap of jurisdiction between the new Commission and the contract markets with respect to action in the event of market emergencies. Moreover, subsection (B) creates so loose a definition of market emergency as to create no significant guidelines for agency action. The danger of reposing this power initially in the Commission is that the Commission will then be subjected to constant pressure from persons on the losing side of any market movement. The Commission may not be familiar with the day-to-day operations of the market in question and might not be in a position to respond adequately to such pressures. Furthermore, the injunctive process authorized by the bill in section 211 should adequately take care of most market problems. The provisions here proposed should be restricted to Commission action in a more limited area, namely, where there has been an impact of government edicts and regulations or where there has been significant intervention and manipulation by foreign governments in future markets.

Mr. POAGE. Mr. Chairman, earlier in the debate, the gentleman from Iowa (Mr. MAYNE) requested my response to a question being posed to him by the gentleman from Maine (Mr. COHEN) regarding the effect of section 207 relative to the Commission's ability to examine the Irish potato contract for economic purpose. I responded in the affirmative, since the language of the report clearly states, as the gentleman pointed out, that the Commission should review all contracts, existing or new, for compliance with the economic purpose requirement of the bill. However, to the extent that my statement may mislead others that such determination is to be limited to new contracts only, proposed to be traded, I would like to clarify such an impression. The potato contract is presently being traded, and regulated under existing law. As I indicated in my response, the Commission may examine it, just as it may examine any new or existing contract in accordance with the language of the committee report, at page 29.

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

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

The CHAIRMAN. If there are no further requests for time, pursuant to the rule the Clerk will now read the bill by titles.

Mr. POAGE. Mr. Chairman, I ask unanimous consent that titles I, II, III, and IV of the bill be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas that the bill be considered as read, printed in the RECORD, and open to amendment at any point?

There was no objection.

The bill reads as follows:

H.R. 13113

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 "Commodity Futures Trading Commission Act of 1974."

TITLE I—COMMODITY FUTURES TRADING COMMISSION

SEC. 101. (A) Section 2(a) of the Commodity Exchange Act, as amended (7 U.S.C. 2, 4), is amended (i) by inserting "(1)" after the subsection designation, (ii) by striking the last sentence of section 2(a) and inserting in lieu thereof the following new sentence: "The words 'the Commission' shall mean the Commodity Futures Trading Commission established under paragraph (2) of this subsection.", and (iii) by adding at the end thereof the following new paragraphs.

"(2) There is hereby established a Commodity Futures Trading Commission to be composed of five Commissioners consisting of the Secretary of Agriculture and four members selected from the general public, who shall be appointed by the President, by and with the advice and consent of the Senate. The President shall separately nominate, for appointment by and with the advice and consent of the Senate, one of the five Commissioners to serve as Chairman of the Commission during the term of said Commissioner, or, in the case of the Secretary of Agriculture, during the time he continues in office. The Secretary, whether acting as a Commissioner or as the Chairman of the Commission, may designate an official of the Department of Agriculture who is serving at not less than executive level IV to act in his behalf in the performance of his duties under this Act. Not more than two of the members of the Commission selected from the general public shall be members of the same political party. No Commissioner or any employee of the Commission shall participate, directly or indirectly, in any contract market operations or transactions of a character subject to regulation by the Commission. Each public Commissioner shall hold office for a term of five years and until his successor shall have been appointed and shall have qualified, except that he shall not so continue to serve beyond the expiration of the next session of Congress subsequent to the expiration of said fixed term of office: *Provided,* That any Commissioner appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term: *And provided further,* That the first public Commissioners taking

office after the enactment of this paragraph shall continue in office for terms of two, three, four, and five years, respectively, the term of each to be designated by the President.

"(3) Any Commissioner may be removed by the President for neglect of duty or malfeasance in office. A vacancy in the Commission shall not impair the right of the remaining Commissioners to exercise all the powers of the Commission.

"(4) The Commission shall have an official seal, which shall be judicially noticed.

"(5) The Commission shall meet as often as necessary but in no event shall it have less than one regular meeting per month. Additional meetings may be called by the Chairman at any time or by any two members of the Commission upon three days' notice. The Commission is authorized to promulgate such rules and regulations as it deems necessary to govern the operating procedures and conduct of the business of the Commission.

"(6) Public members of the Commission shall be conpensated at the daily rate of pay of executive level IV for each day or part thereof spent in the performance of official duties.

"(7) The Commission shall have a Secretary who shall report directly to it and who shall carry out such administrative and other duties as are assigned by the Commission or by members thereof.

"(8) The Commission shall have a General Counsel who shall report directly to it and who shall serve as its legal advisor. The Commission shall also appoint such other attorneys as may be necessary, in the opinion of the Commission, to assist the General Counsel, represent the Commission in all disciplinary proceedings pending before it, assist the Department of Justice in handling litigation in courts of law concerning the Commission, and perform such other legal duties and functions as the Commission may direct.

"(9) The Commission shall have an Executive Director who shall report directly to it and perform such functions and duties as the Commission may prescribe.

"(10) Each Commissioner shall be furnished appropriate office space and secretarial and clerical help required to fulfill his responsibilities as a Commissioner."

(B) Section 12 of the Commodity Exchange Act, as amended (7 U.S.C. 16), is amended by striking said section and by inserting in lieu thereof the following new section:

"SEC. 12. (a) The Commission may cooperate with any department or agency of the Government, any State, territory, district, or possession, or department, agency, or political subdivision thereof, or any person.

"(b) The Commission shall have the authority to employ such investigators, special experts, administrative law judges, clerks, and other employees as it may from time to time find necessary for the proper performance of its duties and as may be from time to time appropriated for by Congress. The Commission may employ experts and consultants in accordance with section 3109 of title 5 of the United States Code, and compensate such persons at rates not in excess of the maximum daily rate prescribed for GS–18 under section 5332 of title 5 of the United States Code. The Commission shall also have authority to make and enter into contracts with respect to all matters which in the judgment of the Commission are necessary and appropriate to effectuate the purposes and provisions of this Act.

"(c) All of the expenses of the Commissioners, including all necessary expenses for transportation incurred by them while on official business of the Commission shall be allowed and paid on the presentation of itemized vouchers thereof approved by the Commission.

"(d) In order to perform its responsibilities under the Act, the Commission may partially or jointly utilize the facilities and services of employees of the Department of Agriculture at cost, and in the event that suitable space is not available at the Department of Agriculture, the Commission may rent suitable offices for its use.

"(e) The executive, administrative, and regulatory functions of the Commission, including functions of the Commission with respect to (i) the appointment and supervision of personnel employed under the Commission, (ii) the distribution of business among such personnel and among administrative units of the Commission, and (iii) the use and expenditure of funds, shall be exercised solely by the Commission: *Provided*, That the Commission may delegate such functions as it determines necessary to carry out the provisions and purposes of the Act to employees of the Commission.

"(f) The Commission shall exercise all functions with respect to the preparation of budget estimates and with respect to the distribution of appropriated funds according to major programs and purposes. Commission budgets shall be forwarded to the Secretary of Agriculture solely for transmission with the Department of Agriculture's budget request to the Congress.

"(g) There are hereby authorized to be appropriated out of any moneys in the Treasury, not otherwise appropriated, such sums as may be necessary for the purposes of this Act."

SEC. 102. The Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.), is amended as follows:

(a) By striking the word "Secretary" and the words "Secretary of Agriculture" wherever such words appear therein (except where the words "Secretary of Agriculture" first appear in section 5(a) (7 U.S.C. 7) or where said words would be stricken by subsection (b), (c), or (d) of this section) and by inserting in lieu thereof the word "Commission".

(b) By striking the words "the Secretary of Agriculture or" wherever they appear in the phrase "the Secretary of Agriculture or the Commission".

(c) By striking the words "the Secretary of Agriculture, who shall thereupon notify the other members of" from section 6(a) thereof (7 U.S.C. 8).

(d) By striking the words "the Secretary of Agriculture (or any person designated by him)," from section 6(b) thereof (7 U.S.C. 15).

(e) By striking the word "he", "his", or "He" wherever they are used therein to refer to the Secretary of Agriculture, and by inserting in lieu thereof the word "it", "its", and "It" respectively.

(f) By striking the words "United States Department of Agriculture" wherever they appear therein and by inserting in lieu thereof the word "Commission".

(g) By inserting in section 5(a) (7 U.S.C. 7) thereof after the words "Secretary of Agriculture" where the same first appear therein the words "or the Commission".

SEC. 103. All of the personnel, property, records, and unexpended balance of appropriations, allocations, and other funds employed, used, held, available, or to be made available in connection with administration of the Commodity Exchange Act shall be transferred to the Commodity Futures Trading Commission upon the effective date of this Act.

SEC. 104. Section 8 of the Commodity Exchange Act, as amended (7 U.S.C. 12, 12–1), is amended by adding at the end thereof the following new paragraphs:

"The Commission shall submit to the Congress a written report within one hundred and twenty days after the end of each fiscal year detailing the operations of the Commission during such fiscal year. The Commission shall include in such report such information, data, and recommendations for further legislation as it may deem advisable with respect to the administration of this Act and its powers and functions under this Act.

"The Comptroller General of the United States shall conduct reviews and audits of the Commission and make reports thereon. For the purpose of conducting such reviews and audits the Comptroller General shall be furnished such information regarding the powers, duties, organizations, transactions, operations, and activities of the Commission as he may require and he and his duly authorized representatives shall, for the purpose of securing such information, have access to and the right to examine any books, documents, papers, or records of the Commission except that in his reports the Comptroller General shall not include data and information which would separately disclose the business transactions of any person and trade secrets or names of customers, although such data shall be provided upon request by any Committee of either House of Congress acting within the scope of its jurisdiction."

SEC. 105. The Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.), is amended by adding the following new section:

"SEC. 14. (a) Any person complaining of any violation of any provision of this Act or any rule, regulation, or order thereunder by any person registered under section 4d, 4e, 4k, or 4m of this Act may, at any time within nine months after the cause of action accrues, apply to the Commission by petition, which shall briefly state the facts, whereupon, if, in the opinion of the Commission, the facts therein contained warrant such action, a copy of the complaint thus made shall be forwarded by the Commission to the respondent, who shall be called upon to satisfy the complaint, or to answer it in writing, within a reasonable time to be prescribed by the Commission.

"(b) If there appear to be, in the opinion of the Commission, any reasonable grounds for investigating any complaint made under this section, the Commission shall investigate such complaint and may, if in its opinion the facts warrant such action, have said complaint served by registered mail or by certified mail or otherwise on the respondent and afford such person an opportunity for a hearing thereon before an Administrative Law Judge designated by the Commission in any place in which the said person is engaged in business: *Provided*, That in complaints wherein the amount claimed as damages does not exceed the sum of $2,500, a hearing need not be held and proof in support of the complaint and in support of the respondent's answer may be supplied in the form of depositions or verified statements of fact.

"(c) After opportunity for hearing on complaints where the damages claimed exceed the sum of $2,500 has been provided or waived and on complaints where damages claimed do not exceed the sum of $2,500 not requiring hearing as provided herein, the Commission shall determine whether or not the respondent has violated any provision of this Act or any rule, regulation, or order thereunder.

"(d) In case a complaint is made by a nonresident of the United States, the complaint shall be required, before any formal action is taken on his complaint, to furnish a bond in double the amount of the claim conditioned upon the payment of costs, including a reasonable attorney's fee for the respondent if the respondent shall prevail, and any reparation award that may be issued by the Commission against the complainant on any counterclaim by respondent: *Provided*, That the Commission shall have authority to waive the furnishing of a bond by a complainant who is a resident of a country which permits the filing of a com-

plaint by a resident of the United States without the furnishing of a bond.

"(e) If after a hearing on a complaint made by any person under subsection (a) of this section, or without hearing as provided in subsections (b) and (c) of this section, or upon failure of the party complained against to answer a complaint duly served within the time prescribed, or to appear at a hearing after being duly notified, the Commission determines that the respondent has violated any provision of this Act, or any rule, regulation, or order thereunder the Commission shall, unless the offender has already made reparation to the person complaining, determinine the amount of damage, if any, to which such person is entitled as a result of such violation and shall make an order directing the offender to pay to such person complaining such amount on or before the date fixed in the order. If, after the respondent has filed his answer to the complaint, it appears therein that the respondent has admitted liability for a portion of the amount claimed in the complaint as damages, the Commission under such rules and regulations as it shall prescribe, unless the respondent has already made reparation to the person complaining, may issue an order directing the respondent to pay to the complainant the undisputed amount on or before the date fixed in the order, leaving the respondent's liability for the disputed amount for subsequent determination. The remaining disputed amount shall be determined in the same manner and under the same procedure as it would have been determined if no order had been issued by the Commission with respect to the undisputed sum.

"If any person against whom an award has been made does not pay the reparation award within the time specified in the Commission's order, the complainant, or any person for whose benefit such order was made, may within three years of the date of the order file in the district court of the United States for the district in which he resides or in which is located the principal place of business of the respondent, or in any State court having general jurisdiction of the parties, a petition setting forth briefly the causes for which he claims damages and the order of the Commission in the premises. The orders, writs, and processes of the district courts may in these cases run, be served, and be returnable anywhere in the United States. Such suit in the district court shall proceed in all respects like other civil suits for damages, except that the findings and orders of the Commission shall be prima-facie evidence of the facts therein stated, and the petitioner shall not be liable for costs in the district court, nor for costs at any subsequent state of the proceedings, unless they accrue upon his appeal. If the petitioner finally prevails, he shall be allowed a reasonable attorney's fee, to be taxed and collected as a part of the costs of the suit.

"(g) Either party adversely affected by the entry of a reparation order by the Commission may, within thirty days from and after the date of such order, appeal therefrom to the district court of the United States for the district in which said hearing was held: *Provided*, That in cases handled within a hearing in accordance with subsections (b) and (c) of this section or in which a hearing has been waived by agreement of the parties, appeal shall be to the district court of the United States for the district in which the respondent is located. Such appeal shall be perfected by the filing with the clerk of said court a notice of appeal, together with a petition in duplicate which shall recite prior proceedings before the Commission and shall state the grounds up on which the petitioner relies to defeat the right of the adverse party to recover the damages claimed, with proof of service thereof upon the adverse party. Such appeal shall not be effective unless within thirty days from and after the date of the reparation order the appellant also files with the clerk a bond in double the amount of the reparation awarded against the appellant conditioned upon the payment of the judgment entered by the court, plus interest and costs, including a reasonable attorney's fee for the appellee, if the appellee shall prevail. Such bond shall be in the form of cash, negotiable securities having a market value at least equivalent to the amount of bond prescribed, or the undertaking of a surety company on the approved list of sureties issued by the Treasury Department of the United States. The clerk of the court shall immediately forward a copy thereof to the Commission who shall forthwith prepare, certify, and file in said court a true copy of the Commission's decision, findings of fact, conclusions, and order in said case, together with copies of the pleadings upon which the case was heard and submitted to the Commission. Such suit in the district court shall be a trial de novo and shall proceed in all respect like other civil suits for damages, except that the findings of fact and order or orders of the Commission shall be prima-facie evidence of the facts therein stated. Appellee shall not be liable for costs in said court. If appellee prevails he shall be allowed a reasonable attorney's fee to be taxed and collected as a part of his costs. Such petition and pleadings certified by the Commission upon which decision was made by it shall upon filing in the district court constitute the pleadings upon which said trial de novo shall proceed subject to any amendment allowed in that court.

"(h) Unless the registrant against whom a reparation order has been issued shows to the satisfaction of the Commission within five days from the expiration of the period allowed for compliance with such order that he has either taken an appeal as herein authorized or has made payment in full as required by such order, he shall be prohibited from trading on all contract markets and his registration shall be suspended automatically at the expiration of such five-day period until he shows to the satisfaction of the Commission that he has paid the amount therein specified with interest thereon to date of payment: *Provided*, That if on appeal the appellee prevails or if the appeal is dismissed the automatic prohibition against trading and suspension of registration shall become effective at the expiration of thirty days from the date of judgment on the appeal, but if the judgment is stayed by a court of competent jurisdiction the suspension shall become effective ten days after the expiration of such stay, unless prior thereto the judgment of the court has been satisfied.

"(i) The provisions of this section shall not become effective until one year after the date of its enactment: *Provided*, That claims which arise within nine months immediately prior to the effective date of this section may be heard by the Commission after such one year period."

SEC. 106. The Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.), is amended by adding the following new section:

"SEC. 17. The Commission shall take into consideration the public interest to be protected by the antitrust laws as well as the policies and purposes of this Act in issuing any order or adopting any Commission rule or regulation, or in requiring or approving any bylaw, rule, or regulation of a contract market or registered futures association established pursuant to section 16 of this Act."

TITLE II—REGULATION OF TRADING AND EXCHANGE ACTIVITIES

SEC. 201. Section 2(a) of the Commodity Exchange Act, as amended (7 U.S.C. 2, 4), is amended as follows:

(A) Section 2(a) of the Commodity Exchange Act, as amended (7 U.S.C. 2, 4), is amended by striking after the word "eggs," the word "onions,".

(B) By deleting the period at the end of the third sentence of the section and substituting therefor the phrase ", and all other goods and articles, except onions as provided in Public Law 85-839, and all services, rights, and interests in which contracts for future delivery are presently or in the future dealt in: *Provided*, That the Commission shall have exclusive jurisdiction of transactions dealing in, resulting in, or relating to contracts of sale of a commodity for future delivery, traded or executed on a domestic board of trade or contract market or on any other board of trade, exchange, or market: *And provided further*, That nothing herein contained shall supersede or limit the jurisdiction at any time conferred on the Securities Exchange Commission or other regulatory authorities under the laws of the United States or restrict the Securities and Exchange Commission and such other authorities from carrying out their duties and responsibilities in accordance with the laws of the United States."

SEC. 202. Section 2(a) of the Commodity Exchange Act, as amended (7 U.S.C. 2, 4), is amended as follows:

By adding at the end of paragraph (1) the following new sentences: "The term 'commodity trading advisor' shall mean any person who, for compensation or profit, engages in the business of advising others, either directly or through publications or writings, as to the value of commodities or as to the advisability of trading in any commodity for future delivery on or subject to the rules of any contract market, or who, for compensation or profit, and as part of a regular business, issues or promulgates analyses or reports concerning commodities; but does not include (1) any bank or trust company, (2) any newspaper reporter, newspaper columnist, newspaper editor, lawyer, accountant, or teacher, (3) any floor broker or futures commission merchant, (4) the publisher of any bona fide newspaper, news magazine, or business or financial publication of general and regular circulation including their employees, (5) any contract market, and (6) such other persons not within the intent of this definition as the Commission may specify by rule, regulation, or order: *Provided*, That the furnishing of such services by the foregoing persons is solely incidental to the conduct of their business or profession. The term 'commodity pool operator' shall mean any person engaged in a business which is of the nature of an investment trust, syndicate, or similar form of enterprise, and who, in connection therewith, solicits, accepts, or receives from others funds, securities, or property, either directly or through capital contributions, the sale of stock or other forms of securities, or otherwise, for the purpose of trading in any commodity for future delivery on or subject to the rules of any contract market, but does not include such persons not within the intent of this definition as the Commission may specify by rule or regulation or by order."

SEC. 203. The Commodity Exchange Act, as amended, is amended by inserting after section 4i (7 U.S.C. 6i), the following new section:

"SEC. 4j. (1) The Commission shall within six months after the effective date of this Act, and subsequently when it determines that changes are required, make a determination, after notice and opportunity for hearing, whether or not a floor broker may trade for his own account or any account in which such broker has trading discretion, and also execute a customer's order for future delivery and, if the Commission determines that such

trades and such executions shall be permitted, the Commission shall further determine the terms, conditions, and circumstances under which such trades and such executions shall be conducted: *Provided*, That any such determination shall, at a minimum, take into account the effect upon the liquidity of trading of each market: *And provided further*, That nothing herein shall be construed to prohibit the Commission from making separate determinations for different contract markets when such are warranted in the judgment of the Commission, or to prohibit contract markets from setting terms and conditions more restrictive than those set by the Commission.

(2) The Commission shall within six months after the effective date of this Act, and subsequently when it determines that changes are required, make a determination, after notice and opportunity for hearing, whether or not a futures commission merchant may trade for its own account or any proprietary account, and, if the Commission determines that such trades shall be permitted the Commission shall, after notice and opportunity for hearing, further determine the terms, conditions, and circumstances under which such trades shall be conducted: *Provided*, That any such determination, at a minimum shall take into account the effect upon the liquidity of trading of each market: *And provided further*, That nothing herein shall be construed to prohibit the Commission from making separate determinations for different contract markets when such are warranted in the judgment of the Commission, or to prohibit contract markets from setting terms and conditions more restrictive than those set by the Commission.

SEC. 204. (a) The Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.), is amended by adding the following new section:

"SEC. 4k. (1) It shall be unlawful for any person to be associated with any futures commission merchant or with any agent of a futures commission merchant as a partner, officer, or employee (or any person occupying a similar status or performing similar functions), in any capacity which involves (a) the solicitation or acceptance of customer's orders (other than in a clerical capacity) or (b) the supervision of any person or persons so engaged unless such person shall have registered, under this Act, with the Commission and such registration shall not have expired nor been suspended (and the period of suspension has not expired) nor revoked, and it shall be unlawful for any futures commission merchant or any agent of a futures commission merchant to permit such a person to become or remain associated with him in any such capacity if such futures commission merchant or agent knew or should have known that such person was not so registered or that such registration had expired, been suspended (and the period of suspension has not expired) or revoked: *Provided*, That any individual who is registered as a floor broker or futures commission merchant (and such registration is not suspended or revoked) need not also register under these provisions; and

"(2) Any person desiring to be so registered shall make application to the Commission in the form and manner prescribed by the Commission giving such information and facts as the Commission may deem necessary concerning the applicant. Such person, when registered hereunder, shall likewise continue to report and furnish to the Commission such information as the Commission may require. Such registration shall expire two years after the effective date thereof, and shall be renewed upon application therefor unless the registration has been suspended (and the period of such suspension has not expired) or revoked after notice and hearing as prescribed in section 6(b) of this Act: *Provided*, That upon initial registration the effective period of such registration shall be set by the Commission, not to exceed two years from the effective date thereof and not to be less than one year from the effective date thereof: *And provided further*, That the Commission may, by regulation, specify such terms and conditions as it deems appropriate to protect the public interest, wherein exception to a written proficiency examination incident to registration shall be afforded an individual who has demonstrated, through training and experience, a required degree of proficiency and skill to protect the interests of customers of the futures commission merchant or associate of such futures commission merchant as provided herein."

(b) Section 6(b) of the Commodity Exchange Act, as amended (7 U.S.C. 9), is amended by inserting after the words "futures commission merchant" each time those words appear, the following: "or any person associated therewith as described in section 4k of this Act,".

(c) Section 8a(1) of the Commodity Exchange Act, as amended (7 U.S.C. 12a(1)), is amended by inserting after the words "futures commission merchants" the following: "and persons associated therewith as described in section 4k of this Act,".

SEC. 205. (a) The Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.), is amended by adding the following new sections:

"SEC. 41. It is hereby found that the activities of commodity trading advisors and commodity pool operators are affected with a national public interest in that, among other things—

"(1) their advice, counsel, publications, writings, analyses, and reports are furnished and distributed, and their contracts, solicitations, subscriptions, agreements, and other arrangements with clients take place and are negotiated and performed by the use of the mails and other means and instrumentalities of interstate commerce;

"(2) their advice, counsel, publications, writings, analyses, and reports customarily relate to and their operations are directed toward and cause the purchase and sale of commodities for future delivery on or subject to the rules of contract markets; and

"(3) the foregoing transactions occur in such volume as substantially to affect transactions on contract markets.

"SEC. 4m. It shall be unlawful for any commodity trading adviser or commodity pool operator, unless registered under this Act, to make use of the mails or any means or instrumentality of interstate commerce in connection with his business as such commodity trading adviser or commodity pool operator: *Provided*, That the provisions of this section shall not apply to any commodity trading adviser who, during the course of the preceding twelve months, has not furnished commodity trading advice to more than fifteen persons and who does not hold himself out generally to the public as a commodity trading adviser.

"SEC. 4n. Any commodity trading adviser or commodity pool operator, or any person who contemplates becoming a commodity trading adviser or commodity pool operator, may register under this Act by filing an application with the Commission. Such application shall contain such information, in such form and detail, as the Commission may, by rules and regulations, prescribe as necessary or appropriate in the public interest, including the following:

"(A) the name and form of organization including capital structure, under which the applicant engages or intends to engage in business; the name of the State under the laws of which he is organized; the location of his principal business office and branch offices, if any; the names and addresses of all parties, officers, directors, and persons performing similar functions or, if the applicant be an individual, of such individual; and the number of employees;

"(B) the education, the business affiliations for the past ten years, and the present business affiliations of the applicant and of his partners, officers, directors, and persons performing similar functions and of any controlling person thereof;

"(C) the nature of the business of the applicant, including the manner of giving advice and rendering of analyses or reports;

"(D) the nature and scope of the authority of the applicant with respect to clients' funds and accounts;

"(E) the basis upon which the applicant is compensated; and

"(F) such other information as the Commission may require to determine whether the applicant is qualified for registration.

"(2) Except as hereinafter provided, such registration shall become effective thirty days after the receipt of such application by the Commission, or within such shorter period of time as the Commission may determine.

"(3) All registrations under this section shall expire on the 30th day of June of each year, and shall be renewed upon application therefor subject to the same requirements as in the case of an original application.

"(4)(A) Every commodity trading adviser and commodity pool operator registered under this Act shall maintain books and records and file such reports in such form and manner as may be prescribed by the Commission. All such books and records shall be kept for a period of at least three years, or longer if the Commission so directs, and shall be open to inspection by any representative of the Commission or the Department of Justice. Upon the request of the Commission, every registered commodity trading adviser and commodity pool operator shall furnish the name and address of each client, subscriber, or participant, and submit samples or copies of all reports, letters, circulars, memorandums, publications, writings, or other literature or advice distributed to clients, subscribers, or participants, or prospective clients, subscribers, or participants.

"(B) Unless otherwise authorized by the Commission by rule or regulation, all commodity trading advisers and commodity pool operators shall make a full and complete disclosure to their subscribers, clients or participants of all futures market positions taken or held by the individual principals of their organization.

"(5) Every commodity pool operator shall regularly furnish statements of account to each participant in his operations. Such statements shall be in such form and manner as may be prescribed by the Commission and shall include complete information as to the current status of all trading accounts in which such participant has an interest.

"(6) The Commission is authorized, without hearing, to deny registration to any person as a commodity trading adviser or commodity pool operator if such person is subject to an outstanding order of the Commission denying to such person trading privileges on any contract market, or suspending or revoking the registration of such person as a commodity trading adviser, commodity pool operator, futures commission merchant, or floor broker, or suspending or expelling such person from membership on any contract market.

"(7) The Commission after hearing may by order deny registration, revoke or suspend the registration of any commodity trading adviser or commodity pool operator if the Commission finds that such denial, revocation, or suspension is in the public interest and that—

"(A) the operations of such person disrupt or tend to disrupt orderly marketing conditions, or cause or tend to cause sudden or unreasonable fluctuations or unwarranted changes in the prices of commodities; or

"(B) such commodity trading advisor or commodity pool operator, or any partner, officer, director, person performing similar function, or controlling person thereof—

"(i) has within ten years of the issuance of such order been convicted of any felony or misdemeanor involving the purchase or sale of any commodity or security, or arising out of any conduct or practice of such commodity trading advisor or commodity pool operator or affiliated person as a commodity trading advisor or commodity pool operator; or

"(ii) at the time of the issuance of such order, is permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction from acting as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or as an affiliated person or employee of any of the foregoing, or from engaging in or continuing any conduct or practice in connection with any such activity or in connection with the purchase or sale of commodities or securities.

"(C) any partner, officer, or director of such commodity trading advisor or commodity pool operator, or any person performing a similar function or any controlling person thereof is subject to an outstanding order of the Commission denying trading privileges on any contract market to such person, or suspending or revoking the registration of such person as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or suspending or expelling such person from membership on any contract market.

"SEC. 4o. (1) It shall be unlawful for any commodity trading advisor or community pool operator registered under this Act, by use of the mails or any means or instrumentality of interestate commerce, directly or indirectly—

"(A) to employ any device, scheme, or artifice to defraud any client or participant or prospective client or participant; or

"(B) to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or participant or prospective client or participant.

"(2) It shall be unlawful for any commodity trading advisor or commodity pool operator registered under this Act to represent or imply in any manner whatsoever that he has been sponsored, recommended, or approved, or that his abilities or qualifications have in any respect been passed upon, by the United States or any agency or officer thereof: *Provided*, That this section shall not be construed to prohibit a statement that a person is registered under this Act as a commodity trading advisor or commodity pool operator, if such statement is true in fact and if the effect of such registration is not misrepresented."

(b) Section 6(b) of the Commodity Exchange Act, as amended (7 U.S.C. 9), is amended by inserting immediately before the words "or as floor broker" each time those words appear, the following: ", commodity trading advisor, commodity pool operator".

(c) Section 8a(1) of the Commodity Exchange Act, as amended (7 U.S.C. 12a(1)), is amended by inserting immediately before the words "and floor brokers" the following: "commodity trading advisors, commodity pool operators".

SEC. 206. The Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.), is amended by adding the following new section:

"SEC. 4p. The Commission may specify by rules and regulations appropriate standards with respect to training, experience, and such other qualifications as the Commission finds necessary or desirable to insure the fitness of futures commission merchants, floor brokers, and those persons associated with futures commission merchants or floor brokers. In connection therewith, the Commission may prescribe by rules and regulations the adoption of written proficiency examinations to be given to applicants for registration as futures commission merchants, floor brokers, and those persons associated with futures commission merchants or floor brokers, and the establishment of reasonable fees to be charged to such applicants to cover the administration of such examinations. The Commission may further prescribe by rules and regulations that in lieu of examinations administered by the Commission, registered futures associations registered under section 16 of this Act or contract markets may adopt written proficiency examinations to be given to applicants for registration as futures commission merchants, floor brokers, and those persons associated with futures commission merchants or floor brokers, and charge reasonable fees to such applicants to cover the administration of such examinations."

SEC. 207. Section 5 of the Commodity Exchange Act as amended (7 U.S.C. 7), is amended by adding after subsection (f) thereof the following new subsection:

"(g) When such board of trade demonstrates that the prices involved in transactions for future delivery in the commodity for which designation as a contract market is sought are, or reasonably can be expected to be, generally quoted and disseminated as a basis for determining prices to producers, merchants, or consumers of such commodity or the products or byproducts thereof or that such transactions are, or reasonably can be expected to be, utilized by producers, merchants, or consumers engaged in handling such commodity or the products or byproducts thereof in interstate commerce as a means of hedging themselves against possible loss through fluctuations in price."

SEC. 208. Section 5a of the Commodity Exchange Act, as amended (7 U.S.C. 7a), is amended—

(a) by striking out "and" at the end of subsection (8) thereof;

(b) by striking out "the Secretary of Agriculture." at the end of subsection (9) thereof and inserting in lieu thereof "the Commission;"; and

(c) by adding at the end of subsection (9) thereof the following new subsection:

"(10) permit the delivery of any commodity, on contracts of sale thereof for future delivery, of such grade or grades, at such point or points and at such quality and locational price differentials as will tend to prevent or diminish price manipulation, market congestion, or the abnormal movement of such commodity in interstate commerce. If the Commission after investigation finds that the rules and regulations adopted by a contract market permitting delivery of any commodity on contracts of sale thereof for future delivery, do not accomplish the objectives of this subsection, then the Commission shall notify the contract market of its finding and afford the contract market an opportunity to make appropriate changes in such rules and regulations. If the contract market within sixty days of such notification fails to make the changes which in the opinion of the Commission are necessary to accomplish the objectives of this subsection, then the Commission after granting the contract market an opportunity to be heard, may change or supplement such rules and regulations of the contract market to achieve the above objectives: *Provided*, That any order issued under this paragraph shall not apply to contracts of sale for future delivery in any months in which contracts are currently outstanding and open: *And provided further*, That no requirement for an additional delivery point or points shall be promulgated following hearings until the contract market affected has had notice and opportunity to file exceptions to the proposed order determining the location and number of such delivery point or points; and".

SEC. 209. Section 5a of the Commodity Exchange Act, as amended (7 U.S.C. 7a), is amended by adding a new subsection (11) as follows:

"(11) provide a fair and equitable procedure through arbitration or otherwise for the settlement of customer's claims and grievances against any member or employee thereof: *Provided*, That (i) the use of such procedure by a customer shall be voluntary, (ii) the procedure shall not be applicable to any claim in excess of $5,000, (iii) the procedure shall not result in any compulsory payment except as agreed upon between the parties, and (iv) the term 'customer' as used in this subsection shall not include a futures commission merchant or a floor broker; and ".

SEC. 210. Section 5a of the Commodity Exchange Act, as amended (7 U.S.C. 7a) is amended by inserting the following new subsection (12) as follows:

"(12) submit to the Commission for its approval all bylaws, rules, regulations, and resolutions made or issued by such contract market, or by the governing board thereof or any committee thereof which relate to terms and conditions in contracts of sale to be executed on or subject to the rules of such contract market or relate to other trading requirements except those relating to the setting of levels of margin, and the Commission shall approve such bylaws, rules, regulations, and resolutions upon a determination that such bylaws, rules, regulations, and resolutions are not in violation of the provisions of this Act or the regulations of the Commission and thereafter the Commission shall disapprove, after appropriate notice and opportunity for hearing, any bylaw, rule, regulation, or resolution which the Commission finds at any time is in violation of the provisions of this act or the regulation of the Commission."

SEC. 211. The Commodity Exchange Act, as amended, is amended by inserting the following new section immediately after section 6b (7 U.S.C. 13a):

"SEC. 6c. Whenever it shall appear to the Commission that any contract market or other person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of this Act or any rule, regulation, or order thereunder, or is in a position to effectuate a 'squeeze' or corner or otherwise restrain trading in any commodity for future delivery, the Commission may notify the Attorney General, and the Attorney General may bring an action in the proper district court of the United States or the proper United States court of any territory or other place subject to the jurisdiction of the United States, to enjoin such act or practice, or to enjoin the continued maintenance of such a position, or to enforce compliance with this Act, or any rule, regulation or order thereunder, and said courts shall have jurisdiction to entertain such actions: *Provided*, That no restraining order or injunction for violation of the provisions of this Act shall be issued ex parte by said court. Upon a proper showing, a permanent or temporary injunction or restraining order shall be granted without bond. Upon application of the Attorney General, the district courts of the United States and the United States courts of any territory or other place subject to the jurisdiction of the United States shall also have jurisdiction to issue writs of mandamus, or

orders affording like relief, commanding any person to comply with the provisions of this Act or any rule, regulation, or order of the Commission thereunder, including the requirement that such person take such action as is necessary to remove the danger of violation of this Act or any such rule, regulation, or order: *Provided,* That no such writ of mandamus, or order affording like relief, shall be issued ex parte. Any action under this section may be brought in the district wherein the defendant is found or is an inhabitant or transacts business or in the district where the act or practice occurred, is occurring, or is about to occur, or where such position is maintained, and process in such cases may be served in any district in which the defendant is an inhabitant or wherever the defendant may be found."

SEC. 212. (a) Section 6 of the Commodity Exchange Act, as amended (7 U.S.C. 8, 9, 13b, 15), is amended as follows:

(1) by substituting a comma for the period at the end of the fourth sentence in paragraph (b) and adding thereafter the following: "and may assess such person a civil penalty of not more than $100,000 for each such violation.";

(2) by adding, in the sixth sentence in paragraph (b), a comma after the word "petition" and inserting thereafter and before the word "praying" the following phrase: "within fifteen days after the notice of such order is given to the offending person,"; and

(3) by adding after paragraph (c) thereof the following new paragraph:

"(d) In determining the amount of the money penalty assessed under pararaph (b) of this section, the Commission shall consider: In the case of a person whose primary business involves the use of the commodity futures market—the appropriateness of such penalty to the size of the business of the charged, the extent of such person's ability to continue in business, and the gravity of the violation; and in the case of a person whose primary business does not involve the use of the commodity futures market—the appropriateness of such penalty to the net worth of the person charged, and the gravity of the violation. If the offending person upon whom such penalty is imposed, after the lapse of the period allowed for appeal or after the affirmance of such penalty, shall fail to pay such penalty the Commission shall refer the matter to the Attorney General who shall recover such penalty by action in the appropriate United States district court."

(b) Section 6b of the Commodity Exchange Act, as amended (7 U.S.C. 13a), is amended to read as follows:

"SEC. 6b. If any contract market is not enforcing or has not enforced its rules of government made a condition of its designation as set forth in section 5 of this Act, or if any contract market, or any director, officer, agent, or employee of any contract market otherwise is violating or has violated any of the provisions of this Act or any of the rules, regulations, or orders of the Commission thereunder, the Commission may, upon notice and hearing and subject to appeal as in other cases provided for in paragraph (a) of section 6 of this Act, make and enter an order directing that such contract market, director, officer, agent, or employee shall cease and desist from such violation, and assess a civil penalty of not more than $100,000 for each such violation. If such contract market, director, officer, agent, or employee, after the entry of such a cease and desist order and the lapse of the period allowed for appeal of such order or after the affirmance of such order, shall fail or refuse to obey or comply with such order, such contract market, director, officer, agent, or employee shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than $100,000 or imprisoned for not less than six months nor more than one year, or both. Each day during which such failure or refusal to obey such cease and desist order continues shall be deemed a separate offense. If the offending contract market or other person upon whom such penalty is imposed, after the lapse of the period allowed for appeal or after the affirmance of such penalty, shall fail to pay such penalty, the Commission shall refer the matter to the Attorney General who shall recover such penalty by action in the appropriate United States district court. In determining the amount of the money penalty assessed under his section, the Commission shall consider the appropriateness of such penalty to the net worth of the offending person and the gravity of the offense, and in the case of a contract market shall further consider whether the amount of the penalty will materially impair the contract market's ability to carry on its operations and duties."

(c) Section 6(c) of the Commodity Exchange Act, as amended (7 U.S.C. 13b), is amended by deleting the words "not less than $500 nor more than $10,000" and substituting therefor the words "not more than $100,000".

(d) Section 9 of the Commodity Exchange Act, as amended (7 U.S.C. 13), is amended as follows:

(1) Subsection (a) is amended by deleting the figures "$10,000" and substituting therefor the figures "$100,000".

(2) Subsection (b) is amended by deleting the figures "$10,000" and substituting therefor the figures "$100,000".

(3) Subsection (c) is amended by deleting the figures "$10,000" and substituting therefor the figures "$100,000".

SEC. 213. Section 8a of the Commodity Exchange Act, as amended (7 U.S.C. 12(a)), is amended by striking subsection (7) and inserting in lieu thereof the following new subsection:

"(7) to alter or supplement the rules of such contract market insofar as necessary or appropriate by rule or regulation or by order, if after making the appropriate request in writing to a contract market that such contract market effect on its own behalf specified changes in its rules and practices, and after appropriate notice and opportunity for hearing, the Commission determines that such contract market has not made the changes so required, and that such changes are necessary or appropriate for the protection of persons producing, handling, processing, or consuming any commodity traded for future delivery on such contract market, or the product or byproduct thereof, or for the protection of traders or to insure fair dealing in commodities traded for future delivery on such contract market. Such rules, regulations, or orders may specify changes with respect to such matters as:

"(A) terms or conditions in contracts of sale to be executed on or subject to the rules of such contract market;

"(B) the form or manner of execution of purchases and sales for future delivery;

"(C) other trading requirements, excepting the setting of levels of margin;

"(D) safeguards with respect to the financial responsibility of members;

"(E) the manner, method, and place of soliciting business, including the content of such solicitations; and

"(F) the form and manner of handling, recording, and accounting for customers' orders, transactions, and accounts; and".

SEC. 214. Section 8a of the Commodity Exchange Act, as amended (7 U.S.C. 12a), is amended by adding the following new subsection (8):

"(8) to make and promulgate such rules and regulations with respect to those persons registered under this Act, who are not members of a contract market, as in the judgment of the Commission are reasonably necessary to protect the public interest and promote just and equitable principles of trade, including but not limited to the manner, method, and place of soliciting business, including the content of such solicitation; and".

SEC. 215. Section a of the Commodity Exchange Act, as amended (7 U.S.C. 12a), is amended by adding the following new subsection (9):

"(9)(A) to direct the contract market, whenever it has reason to believe that the amount of deliverable supplies, the number of open contracts, the relative size of individual traders' positions, the amount and direction of price movements in cash and futures markets, the impact of government edicts and regulations, the existence of a market emergency, or any other such market factor creates a condition which threatens orderly trading in, or liquidation of, any futures contract, to take such action as in the Commission's judgment is necessary to maintain or restore orderly trading in, or liquidation of, any futures contract. Such actions may include, but are not limited to, the following:

"(1) Limit trading to liquidation only;

"(2) Extend the expiration date of a futures contract;

"(3) Extend the time for making deliveries in fulfillment of a futures contract;

"(4) Order liquidation of all or part of any open contracts under such terms as the Commission deems necessary;

"(5) Suspend trading;

"(6) Order the fixing of a settlement price for the liquidation of a futures contract; and

"(7) Any other action necessary to prevent significant intervention or manipulation by a foreign government.

"(B) as used herein, the term 'market emergency' shall be defined to mean significant intervention of foreign governments in the futures market, war or other national emergency, price controls, export embargoes, or any other significant disruption of normal commercial processes which can reasonably be deemed to affect futures transactions: *Provided,* That nothing herein shall be deemed to limit the meaning or interpretation given by a contract market to the terms 'market emergency', 'emergency' or equivalent language in its own bylaws, rules, regulations, or resolutions.".

TITLE III—ENABLING AUTHORITY FOR CREATION OF NATIONAL FUTURES ASSOCIATIONS

SEC. 301. The Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.), is amended by adding the following new section:

"SEC. 16. (a) Any association of persons may be registered with the Commission as a registered futures association pursuant to subsection (b) of this section, under the terms and conditions hereinafter provided in this section, by filing with the Commission for review and approval a registration statement in such form as the Commission may prescribe, setting forth the information, and accompanied by the documents, below specified:

"(1) Data as to its organization, membership, and rules of procedure, and such other information as the Commission may by rules and regulations require as necessary or appropriate in the public interest; and

"(2) Copies of its constitution, charter, or articles of incorporation or association, with all amendments thereto, and of its bylaws, and of any rules or instruments corresponding to the foregoing, whatever the name, hereinafter in this section collectively referred to as the 'rules of the association'.

"(b) An applicant association shall not be registered as a futures association unless the Commission finds, under standards established by the Commission, that—

"(1) such association is in the public interest and that it will be able to comply with the provisions of this section and the rules and regulations thereunder and to carry out the purposes of this subsection;

"(2) the rules of the association provide that any person registered under this Act, contract market, or any other person designated pursuant to the rules of the Commission as eligible for membership may become a member of such association, except such as are excluded pursuant to paragraph (3) or (4) of this subsection, or a rule of the association permitted under this paragraph. The rules of the association may restrict membership in such association on such specified basis relating to the type of business done by its members, or on such other specified and appropriate basis, as appears to the Commission to be necessary or appropriate in the public interest and to carry out the purpose of this section. Rules adopted by the association may provide that the association may, unless the Commission directs otherwise in cases in which the Commission finds it appropriate in the public interest so to direct, deny admission to, or refuse to continue in such association any person if (i) such person, whether prior or subsequent to becoming registered as such, or (ii) any person associated within the meaning of 'associated person' as set forth in section 4(k) of this Act, whether prior or subsequent to becoming so associated, has been and is suspended or expelled from a contract market or has been and is barred or suspended from being associated with all members of such contract market, for violation of any rule of such contract market;

"(3) the rules of the association provide that, except with the approval or at the direction of the Commission in cases in which the Commission finds it appropriate in the public interest so to approve or direct, no person shall be admitted to or continued in membership in such association, if such person—

"(A) has been and is suspended or expelled from a registered futures association or from a contract market or has been and is barred or suspended from being associated with all members of such association or from being associated with all members of such contract market, for violation of any rule of such association or contract market which prohibits any act or transaction constituting conduct inconsistent with just and equitable principles of trade, or requires any act the omission of which constitutes conduct inconsistent with just and equitable principles of trade; or

"(B) is subject to an order of the Commission denying, suspending, or revowing his registration pursuant to section 6(b) of this Act (7 U.S.C. 9), or expelling or suspending him from membership in a registered futures association or a contract market, or barring or suspending him from being associated with a futures commission merchant; or

"(C) whether prior or subsequent to becoming a member, by his conduct while associated with a member, was a cause of any suspension, expulsion, or order of the character described in clause (A) or (B) which is in effect with respect to such member, and in entering such a suspension, expulsion, or order, the Commission or any such contract market or association shall have jurisdiction to determine whether or not any person was a cause thereof; or

"(D) has associated with him any person who is known, or in the exercise of reasonable care should be known, to him to be a person who would be ineligible for admission to or continuance in membership under clause (A), (B), or (C) of this paragraph.

"(4) the rules of the association provide that, except with the approval or at the direction of the Commission in cases in which the Commission finds it appropriate in the public interest so to approve or direct, no person shall become a member and no natural person shall become a person associated with a member, unless such person is qualified to become a member or a person associated with a member in conformity with specified and appropriate standards with respect to the training, experience, and such other qualification of such person of the association finds necessary or desirable, and in the case of a member, the financial responsibility of such a member. For the purpose of defining such standards and the application thereof, such rules may—

"(A) appropriately classify prospective members (taking into account relevant matters, including type or nature of business done) and persons proposed to be associated with members.

"(B) specify that all or any portion of such standard shall be applicable to any such class.

"(C) require persons in any such class to pass examinations prescribed in accordance with such rules.

"(D) provide that persons in any such class other than prospective members and partners, officers and supervisory employees (which latter term may be defined by such rules and as so defined shall include branch managers of members) of members, may be qualified solely on the basis of compliance with specified standards of training and such other qualifications as the association finds appropriate.

"(E) provide that applications to become a member or a person associated with a member shall set forth such facts as the association may prescribe as to the training, experience, and other qualifications (including, in the case of an applicant for membership, financial responsibility) of the applicant and that the association shall adopt procedures for verification of qualifications of the applicant.

"(F) require any class of persons associated with a member to be registered with the association in accordance with procedures specified by such rules (and any application or document supplemental thereto required by such rules of a person seeking to be registered with such association shall, for the purposes of subsection (b) of section 6 of the Act, be deemed an application required to be filed under this section).

"(5) the rules of the association assure a fair representation of its members in the adoption of any rule of the association or amendment thereto, the selection of its officers and directors, and in all other phases of the administration of its affairs.

"(6) the rules of the association provide for the equitable allocation of dues among its members, to defray reasonable expenses of administration.

"(7) the rules of the association are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, in general, to protect the public interest, and to remove impediments to and perfect the mechanism of free and open futures trading.

"(8) the rules of the association provide that its members and persons associated with its members shall be appropriately disciplined, by expulsion, suspension, fine, censure, or being suspended or barred from being associated with all members, or any other fitting penalty, for any violation of its rules.

"(9) the rules of the association provide a fair and orderly procedure with respect to the disciplining of members and persons associated with members and the denial of membership to any person seeking membership therein or the barring of any person from being associated with a member. In any proceeding to determine whether any member or other person shall be disciplined, such rules shall require that specific charges be brought; that such member or person shall be notified of, and be given an opportunity to defend against, such charges; that charges; that a record shall be kept; and that the determination shall include—

"(A) a statement setting forth any act or practice in which such member or other person may be found to have engaged, or which such member or other person may be found to have omitted.

"(B) a statement setting forth the specific rule or rules of the association of which any such act or practice, or omission to act, is deemed to be in violation.

"(C) a statement whether the acts or practices prohibited by such rule or rules, or the omission of any act required thereby, are deemed to constitute conduct inconsistent with just and equitable principles of trade.

"(D) a statement setting forth the penalty imposed.

In any proceeding to determine whether a person shall be denied membership or whether a person shall be barred from being associated with a member, such rules shall provide that the person shall be notified of, and be given an opportunity to be heard upon, the specific grounds for denial or bar which are under consideration; that a record shall be kept; and that the determination shall set forth the specific grounds upon which the denial or bar is based.

"(10) the rules of the association for a fair and equitable procedure through arbitration or otherwise for the settlement of customer's claims and grievances against any member or employee thereof: *Provided*, That (i) the use of such procedure by a customer shall be voluntary, (ii) the procedure shall not be applicable to any claim in excess of $5,000, (iii) the procedure shall not result in any compulsory payment except as agreed upon between the parties, and (iv) the term 'customer' as used in this subsection shall not include a futures commission merchant or a floor broker.

"(c) The Commission may, after notice and opportunity for hearing, suspend the registration of any futures association if it finds that the rules thereof do not conform to the requirements of the Commission, and any such suspension shall remain in effect until the Commission issues an order determining that such rules have been modified to conform with such requirements.

"(d) In addition to the fees and charges authorized by section 8a(4) of this Act, each person registered under this Act, who is not a member of a futures association registered pursuant to this section, shall pay to the Commission such reasonable fee and charges as may be necessary to defray the costs of additional regulatory duties required to be performed by the Commission because such person is not a member of a registered futures association. The Commission shall establish such additional fees and charges by rules and regulations.

"(e) Any person registered under this Act, who is not a member of a futures association registered pursuant to this section, in addition to the other requirements and obligations of this Act and the regulations thereunder shall be subject to such other rules and regulations as the Commission may find necessary to protect the public interest and promote just and equitable principles of trade.

"(f) Upon filing of an application for registration pursuant to subsection (a), the Commission shall by order grant such registration if the requirements of this section are satisfied. If, after appropriate notice and opportunity for hearing, it appears to the Commisson that any requirement of this section is not satisfied, the Commission shall by order deny such registration.

"(g) A registered futures association may, upon such reasonable notice as the Commission may deem necessary in the public interest withdraw from registration by filing with the Commission a written notice of withdrawal in such form as the Commission may by rules and regulations prescribe.

"(h) If any registered futures association takes any disciplinary action against any member thereof or any person associated with such a member or denies admission to any person seeking membership therein, or bars any person from being associated with a member, such action shall be subject to review by the Commission, on its own motion, or upon application by any person aggrieved thereby filed within thirty days after such action has been taken or within such longer period as the Commission may determine. Application to the Commission for review, or the institution of review by the Commission on its own motion, shall operate as a stay of such action until an order is issued upon such review pursuant to subsection (k) of this section unless the Commission otherwise orders, after notice and opportunity for hearing on the question of a stay (which hearing may consist solely of affidavits and oral arguments.).

"(i) (1) In a proceeding to review disciplinary action taken by a registered futures association against a member thereof or a person associated with a member, if the Commission, after appropriate notice and opportunity for hearing, upon consideration of the record before the association and such other evidence as it may deem relevant—

"(A) finds that such member or person has engaged in such acts or practices, or has omitted such act, as the association has found him to have engaged in or omitted, and

"(B) determines that such acts or practices, or omission to act, are in violation of such rules of the association as have been designated in the determination of the association, the Commission shall by order dismiss the proceeding, unless it appears to the Commission that such action should be modified in accordance with paragraph (2) of this subsection. The Commission shall likewise determine whether the acts or practices prohibited, or the omission of any act required, by any such rule constitute conduct inconsistent with just and equitable principles of trade, and shall so declare. If it appears to the Commission that the evidence does not warrant the finding required in clause (A), or if the Commission determines that such acts or practices as are found to have been engaged in are not prohibited by the designated rule or rules of the association, or that such act as is found to have been omitted is not required by such designated rule or rules, the Commission shall by order set aside the action of the association.

"(2) If, after appropriate notice and opportunity for hearing, the Commission finds that any penalty imposed upon a member or person associated with a member is excessive or oppressive, having due regard to the public interest, the Commission shall by order cancel, reduce, or require the remission of such penalty.

"(3) In any proceeding to review the denial of membership in a registered futures association or the barring of any person from being associated with a member, if the Commission, after appropriate notice and hearing, and upon consideration of the record before the association and such other evidence as it may deem relevant, determines that the specific grounds on which such denial or bar is based exist in fact and are valid under this section, the Commission shall by order dismiss the proceeding; otherwise, the Commission shall by order set aside the action of the association and require it to admit the applicant to membership therein, or to permit such person to be associated with a member.

"(j) Every registered futures association shall file with the Commission in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest, copies of any changes in or additions to the rules of the association, and such other information and documents as the Commission may require to keep current or to supplement the registration statement and documents filed pursuant to subsection (a) of this section. Any change in or addition to the rules of a registered futures association shall be submitted to the Commission for approval and shall take effect upon the thirtieth day after such approval by the Commission, or upon such earlier date as the Commission may determine, unless the Commission shall enter an order disapproving such change or addition; and the Commission shall enter such an order unless such change or addition appears to the Commission to be consistent with the requirements of this section and the provisions of this Act.

"(k) (1) The Commission is authorized by order to abrogate any rule of a registered futures association, if after appropriate notice and opportunity for hearing, it appears to the Commission that such abrogation is necessary or appropriate to assure fair dealing by the members of such association, to assure a fair representation of its members in the administration of its affairs or effectuate the purposes of this title.

"(2) The Commission may in writing request any registered futures association to adopt any specified alteration or supplement to its rules with respect to any of the matters hereinafter enumerated. If such association fails to adopt such alteration or supplement within a reasonable time, the Commission is authorized by order to alter or supplement the rules of such association in the manner theretofore requested, or with such modifications of such alteration or supplement as it deems necessary if, after appropriate notice and opportunity for hearing, it appears to the Commission that such alteration or supplement is necessary or appropriate in the public interest or to effectuate the purposes of this section, with respect to—

"(A) the basis for, and procedure in connection with, the denial of membership or the barring from being associated with a member or the disciplining of members or persons associated with members, or the qualifications required for members or natural persons associated with members or any class thereof;

"(B) the method for adoption of any change in or addition to the rules of the association;

"(C) the method of choosing officers and directors.

"(l) The Commission is authorized, if such action appears to it to be necessary or appropriate in the public interest or to carry out the purposes of this section—

"(1) after appropriate notice and opportunity for hearing, by order to suspend for a period not exceeding twelve months or to revoke the registration of a registered futures association, if the Commission finds that such association has violated any provisions of this title or any rule or regulation thereunder, or has failed to enforce compliance with its own rules, or has engaged in any other activity tending to defeat the purposes of this section;

"(2) after appropriate notice and opportunity for hearing, by order to suspend for a period not exceeding twelve months or to expel from a registered futures association any member thereof, or to suspend for a period not exceeding twelve months or to bar any person from being associated with a member thereof, if the Commission finds that such member or person—

"(A) has violated any provision of this title or any rule or regulation thereunder, or has effected any transaction for any other person who, he had reason to believe, was violating with respect to such transaction any provision of this title or any rule or regulation thereunder; or

"(B) has willfully violated any provision of the Commodity Exchange Act, as amended, or of any rule, regulation, or order thereunder, or has effected any transaction for any other person who, he had reason to believe, was willfully violating with respect to such transaction any provision of such Act or rule, regulation, or order.

"(3) after appropriate notice and opportunity for hearing, by order to remove from office any officer or director of a registered futures association who, the Commission finds, has willfully failed to enforce the rules of the association, or has willfully abused his authority.

TITLE IV—MISCELLANEOUS PROVISIONS

SEC. 401. Section 9 of the Commodity Exchange Act, as amended (7 U.S.C. 13), is amended by adding the following new subsections:

"(d) It shall be a felony punishable by a fine of not more than $10,000 or imprisonment for not more than five years, or both, together with the costs of prosecution, for any Commissioner of the Commission or any employee or agent thereof, to participate, directly or indirectly, in any transaction in commodity futures or any transaction referred to in section 4c(B) of this Act, or for any such person to participate, directly or indirectly, in any transaction in an actual commodity: *Provided*, That such prohibition against any transaction in an actual commodity shall not apply to a transaction in which such person sells an agricultural commodity which he has produced in connection with his own farming or ranching operations nor to any transaction in which he sells livestock which he has owned at least three months. With respect to such expected transactions, the Commission shall require any Commissioner of the Commission or employee or agent thereof who participates in any such transaction to notify the Commission thereof in accordance with such regulations as the Commission shall prescribe and the Commission shall make such information available to the public.

"(e) It shall be a felony punishable by a fine of not more than $10,000 or imprisonment for not more than five years, or both, together with the costs of prosecution, for any Commissioner of the Commission or any employee or agent thereof who, by virtue of his employment or position, acquires information which may affect or tend to affect the price of any commodity futures or commodity and which information has not been made public to impart such information with intent to assist another person, directly or indirectly, to participate in any transaction in commodity futures, any transaction in an actual commodity, or in any transaction referred to in section 4c(B) of this Act.".

SEC. 402. Section 4c of the Commodity Exchange Act, as amended (7 U.S.C. 6c), is amended (i) by inserting "(a)" after "Section 4c.", (ii) by striking existing paragraph (B) in its entirety and inserting in lieu thereof the following:

"(B) if such transaction involves any commodity specifically set forth in section 2(a)(1) of this Act, prior to the enactment of the Commodity Futures Trading Commission Act of 1974, and if such transaction is of the character of, or is commonly known to the trade as, an 'option', 'privilege', 'indemnity', 'bid', 'offer', 'put', 'call', 'advanced guaranty', or 'decline guaranty', or", and

(iii) by adding at the end thereof the following new paragraph:

"(b) No person shall offer to enter into,

enter into, or confirm the execution of, any transaction subject to the provisions of subsection (a) of this section involving any commodity regulated under this Act, but not specifically set forth in section 2(a)(1) of this Act, prior to the enactment of the "Commodity Futures Trading Commission Act of 1974", which is of the character of, or is commonly known to the trade as, an "option", "privilege", "indemnity", "bid", "offer", "put", "call", "advance guaranty", or "decline guaranty", contrary to any rule, regulation, or order of the Commission prohibiting any such transaction or allowing any such transaction under such terms and conditions as the Commission may prescribe: *Provided,* That any such order, rule, or regulation may be made only after notice and opportunity for hearing: *And provided further,* That the Commission may set different terms and conditions for different markets.".

SEC. 403. Section 4a(1) of the Commodity Exchange Act, as amended (7 U.S.C. 6a), is amended by inserting, following the word "straddles" in the last sentence of such subsection the words "or arbitrage" and by adding the following new sentence at the end of said subsection: "The word 'arbitrage' shall be defined to mean the same as a 'spread' or 'straddle'."

SEC. 404. Section 4a(3) of the Commodity Exchange Act, as amended (7 U.S.C. 6a) is amended by deleting the "period" at the end of the first sentence and adding "as such terms are defined by the Commission by order consistent with the purposes of this Act." and by deleting the remainder of that section: *Provided,* That until the Commission issues regulations defining what constitutes bona fide hedging transactions and positions and such regulations are in full force and effect, such terms shall continue to be defined as set forth in the Commodity Exchange Act prior to its amendment by the "Commodity Futures Trading Commission Act of 1974".

SEC. 405. (i) Section 4b of the Commodity Exchange Act, as amended (7 U.S.C. 6b), is amended by deleting the word "cotton" where it appears in the last full paragraph of said section, and inserting in lieu thereof the word "commodity" and (ii) by deleting the period at the end of said section and by adding the following proviso: *"And provided further,* That such transactions shall be made in accordance with such rules and regulations as the Commission may promulgate regarding the manner of the execution of such transactions.".

SEC. 406. Section 5a(6) of the Commodity Exchange Act, as amended (7 U.S.C. 7a), is amended by deleting the semicolon at the end of said subsection and adding the words "and adopted by the Commission;".

SEC. 407. (i) Section 5a(8) of the Commodity Exchange Act, as amended (7 U.S.C. 7a), is hereby amended by deleting the words "not been disapproved by the Secretary of Agriculture pursuant to paragraph (7) of section 8a", and inserting in lieu thereof the words "been approved by the Commission pursuant to paragraph (12) of section 5a, and (ii) by deleting the word 'so' and inserting the words 'by the Commission' immediately before the semicolon at the end of such section.".

SEC. 408. Section 6(b) of the Commodity Exchange Act, as amended (7 U.S.C. 9), is amended by striking the word "referee" wherever it appears therein and inserting in lieu thereof the words "Administrative Law Judge".

SEC. 409. Section 9(c) of the Commodity Exchange Act, as amended (7 U.S.C. 13), is amended by inserting after "section 4i" the following: "section 4k, section 4m, section 4o,".

SEC. 410. Section 5108(c) of title 5, United States Code, is amended by adding after paragraph (11) thereof the following new paragraph:

"(12) The Commodities Futures Trading Commission, subject to the standards and procedures prescribed by this chapter, may place an additional twenty positions in GS–16, GS–17, and GS–18 for purposes of carrying out its functions."

SEC. 411. All operations of the Commodity Exchange Commission and of the Secretary of Agriculture under the Commodity Exchange Act, including all pending administrative proceedings, shall be transferred to the "Commodity Futures Trading Commission" as of the effective date of this Act and continue to completion. All rules, regulations, and orders heretofore issued by the Commodity Exchange Commission and by the Secretary of Agriculture under the Commodity Exchange Act to the extent not inconsistent with the provisions of this Act shall continue in full force and effect unless and until terminated, modified, or suspended by the Commodity Futures Trading Commission.

SEC. 412. Pending proceedings under existing law shall not be abated by reason of any provision of this Act but shall be disposed of pursuant to the applicable provisions of the Commodity Exchange Act, as amended, in effect prior to the effective date of this Act.

SEC. 413. If any provision of this Act or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the Act and the application of such provision to other persons or circumstances shall not be affected thereby, and the provisions of the section, if any, of the Commodity Exchange Act, as amended, which is amended by provision of this Act shall apply to such person or circumstances.

SEC. 414. This Act shall become effective one hundred and eighty days after enactment. Activities necessary to implement the changes effected by this Act may be carried out after the date of enactment and before as well as after the effective date. Such activities may include, but are not limited to, appointment of the members of the Commodity Futures Trading Commission, designation of boards of trade as contract markets, registration of futures commission merchants, floor brokers, and other persons required to be registered under the Act, and approval or modification of bylaws, rules, regulations, and resolutions of contract markets.

AMENDMENT OFFERED BY MR. SISK

Mr. SISK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SISK: Amend section 101 as follows:

On page 2, line 23, after the word "no" insert the following: "Public Commissioner shall engage in any other business, vocation or employment than that of serving as Commissioner and no".

On page 3, line 21, beginning with the word "The", strike out all through the period in line 25.

On page 4, strike out lines 3 through 6, and renumber succeeding paragraphs accordingly.

On page 4, strike line 26 and insert the following:

"(B) Section 5314 of title 5, United States Code, is amended by adding at the end thereof the following new paragraph:

"'(60) Chairman, Commodity Futures Trading Commission (if other than the Secretary of Agriculture)'.

"(C) Section 5315 of title 5, United States Code, is amended by adding at the end thereof the following new paragraph:

"'(98) Public members, Commodity Futures Trading Commission.'.

"(D) Section 12 of the Commodity Exchange Act, as".

Mr. SISK. Mr. Chairman, this amendment, very simply, provides for a full-time commission. This is the exact amendment, for all practical purposes, that this Member offered in the committee and it was discussed by the Committee on Agriculture at the time we were considering the legislation.

I will try to make this just as brief as possible, because I am as anxious to complete the action on this bill—which by the way, I support and will support, whether this amendment is adopted or not—but I do feel very strongly that we need to have a commission that can operate without being totally dictated to by the Secretary of Agriculture.

As I said to the present Secretary, Mr. Butz, the other day, I have great confidence in him, as I have generally had in most of the Secretaries of Agriculture; but they change. During the years I recall Secretary Benson, Secretary Freeman, Secretary Harden, Secretary Butz and so on. Under normal procedure, any time a Cabinet officer sits on a commission, it is for all practical purposes dominated by that individual.

I would be frank to say that I would have preferred a much more independent commission without a Secretary present upon that commission. I think in the long run that is what it will come to. I do not think there is any question but that most of us here today will live to see the time that because of the urgency, the necessity, the size and the volume of the commodity futures market, 500 billion and going up very rapidly, we will need a commission just as independent as the SEC; but at least we desire through this amendment to give as much prestige and to increase the image as much as possible of those four public members, in order to insure to the extent we can the strength of independence on their part to act on behalf of the interests of the consumer, as well as the producer, the trader, and everyone involved.

That, basically, is the purpose of the intent of the amendment, simply to make these people full-time commissioners, because it is a full-time job.

All we have to do is look at the facts, the duties, obligations, and responsibilities that will be placed upon them; but at the same time, this amendment leaves in place the Secretary of Agriculture. As I said, I do not necessarily like that. In fact, this again is a compromise. He can even be the chairman, if so appointed, and confirmed by the Senate.

Let me simply conclude on that note, that there has been some discussion about differences in costs. The truth of the matter is that in all probability this will actually save money. I have checked the per diem allowance under this language of the bill. At the present time it is $135 a day for these people, if they were kept as part-time commissioners, plus all travel, hotel bills, and so forth.

In my opinion, we are going to get better people, more competent people, and people with the strength to do the kind of a job that is necessary if, in fact,

we make all of them full-time commissioners, and that is what this amendment will do.

Mr. SMITH of Iowa. Mr. Chairman, will the gentleman yield?

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

Mr. SMITH of Iowa. The amendment of the gentleman also prohibits such commissioner from any other job he could do on a part-time basis?

Mr. SISK. I appreciate that question and it is a fact, it makes him a full-time commissioner and requires that they conduct themselves as on a full-time job and precludes their being involved in any other business.

Mr. JOHNSON of Colorado. Mr. Chairman, will the gentleman yield?

Mr. SISK. I yield to the gentleman from Colorado.

Mr. JOHNSON of Colorado. What will the full-time commissioners be compensated for or make as salaries?

Mr. SISK. I believe the figure at present is $38,000.

Mr. JOHNSON of Colorado. Under the bill, where would the commissioners come from?

Mr. SISK. The commissioners would, of course, be selected by the President of the United States and would come from any section of the country that he might desire to appoint. That is going to be, of course, completely up to the President of the United States, with the confirmation of the Senate.

Mr. JOHNSON of Colorado. Does that require that they have actual knowledge about this business?

Mr. SISK. Basically I think, of course, they will be selected on the basis of being people that are knowledgeable. I would hope they have knowledge and be knowledgeable in the business. This is a matter, of course, to be determined by the President in his selection of the individual.

Mr. YOUNG of South Carolina. Mr. Chairman, will the gentleman yield?

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

Mr. YOUNG of South Carolina. Could the gentleman tell us how many people will be hired by this Commission on a full-time basis?

Mr. SISK. I would assume there would not be any more people hired as a full-time commission than as a part-time commission, because this basically has no effect on the staff of the commission.

That is pretty well outlined, as the gentleman knows, of course, in the bill, the utilization of already existing people within the Department of Agriculture, so I could see no reason why that would have any effect whatsoever.

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

Mr. Chairman, I recognize the admirable purpose the gentleman hopes to attain by the amendment, but I am convinced that the bill as it is now written will more nearly attain that purpose than will his amendment. The amendment's real purpose, as the gentleman very fairly points out, is to limit the power or the influence of the Secretary of Agriculture.

Mr. Chairman, this is an industry, where 90 percent of the business is in agricultural commodities. These exchanges do involve farm prices directly. I think that it is a proper thing that the Secretary of Agriculture—whether he be Earl Butz or whether he be BERNIE SISK—would be a more proper person to handle these matters than any third party. I am glad that we have the Secretary of Agriculture named in here as one of the members of the commission. I would have been glad to have named him as chairman. I think he should have been named as chairman, but the committee felt otherwise.

But in the end I think the committee worked out a very fine arrangement which we should stay with, one which recognizes the agricultural orientation of this legislation and which also recognizes that there should be an input from other sections of the country.

Mr. Chairman, the difference in the amount of money involved, whether full time or whether part time, actually is going to be infinitesimal, and I recognize that. The difference is going to be that if we have four full-time Commissioners here, they have got to then justify their presence in Washington. They are going to do it by taking over and trying to handle the day-to-day administration of the office. I think that is bad. I think the office would be better administered by a single clerk, supervisor, administrator, call him what you will, who will handle the day-to-day operations under the control of these Commissioners, than it would when we try to establish full-time Commissioners.

If there is need, and there probably will be need for at least the first year, a very extended period of time may be put in by these Commissioners under this law as it is written. They can be here 365 days out of the year. During this organizational period, probaly there is some justification for that, but after the program is working, I can see no justification at all for it. I hope that we will adopt the well-developed program the committee has worked out to take care of all the needs for Commissioners present in Washington and not try simply to crowd the Secretary of Agriculture out of the picture, because I think this program ought to stay in the Department of Agriculture.

Mr. Chairman, I hope we defeat the amendment.

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

Mr. Chairman, the Committee on Agriculture has spent over 6 months carefully working out a CEA bill that is designed to protect the public interest while encouraging the development of a strong market-oriented commodity futures industry.

In reaching for this goal, the committee considered at length the proposal to create a new and separate Commission, rather than using the staff and the facilities of the present Commodity Exchange Authority.

In the deliberations, the committee sought to find a balance between the urgings of those who sought to establish an entirely new bureaucracy and those who preferred the status quo. That balance is included in H.R. 13113. The bill proposes to set up a commission, but not to make it a full-time activity. The professional staff of the commission should be more than adequately able to run its day-to-day operations without having four high-paid commissioners plus the Secretary of Agriculture looking over their shoulders.

This type of a legislative approach is by no means uncommon. In the Farm Credit System, for example, the Farm Credit Board members are not full-time Federal employees. They only come to Washington from time to time to oversee the functions of the Governor and the Farm Credit Administration staff who manage the daily activities of one of the world's largest banks.

Take the Commodity Credit Corporation. The CCC Advisory Board meets only periodically. There apparently is no need for full-time CCC advisers. Why then should there be full-time CEA commissioners?

In brief, the committee bill seeks to keep unneeded bureaucracy from being created and expanded. The amendment would do just the opposite and should be rejected.

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

Mr. WAMPLER. I am delighted to yield to my colleague, the gentleman from Illinois.

Mr. FINDLEY. Mr. Chairman, I feel that the fundamental question posed by the amendment offered by the gentleman from California (Mr. SISK) is whether or not we are going to draw expertise to the membership of the commission. The people who are most knowledgeable in the field of commodity markets probably have incomes in six figures. We cannot possibly expect these people to give up an income like that and take a $36,000-a-year job.

However, we do have the possibility and, I think, a good prospect of getting this expertise on a part-time basis, and, therefore, I support the gentleman's position.

Mr. Chairman, I urge the defeat of the amendment.

Mr. WAMPLER. Mr. Chairman, I thank the gentleman for his support.

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

Mr. Chairman, the hour is late, and I shall be very brief. In lieu of any brilliance or profundity, I will confine myself to the issue with strict brevity. As a matter of fact, I think the argument has been pretty well joined.

Mr. Chairman, all I shall do at this time is to read to the House a letter which I received yesterday from the Acting Secretary of Agriculture, Clayton Yeutter. The letter reads as follows:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., April 9, 1974.

HON. CHARLES THONE,
House of Representatives,
Washington, D.C.

DEAR MR. THONE: The House Agriculture Committee has done a fine job in drafting H.R. 13113 and in setting up a commission which will operate effectively in the ex-

panded policing of the futures markets. It would be tragic at this stage if the House should undo much of this good work by adopting a floor amendment establishing a full-time commission.

The decision of the committee to establish a part-time commission with the Secretary of Agriculture serving as a member is sound and reveals the committee's careful consideration of the problems involved. For those who argued for an "independent" commission, the committee has provided this independence. With four public members, independent budgeting authority and a separate legal staff, it could not be said that it is in any sense under the domination of this Department. I visualize that extremely competent persons will be attracted to the position of commissioner to serve on a part-time basis. People of the caliber who would be selected by the President and confirmed by the Senate would, I am sure, be unwilling to relinquish any of their independent role.

The organization proposed in the bill is extremely sound. It has been my experience that an organization which is run on a day-to-day basis by a single executive is a far more efficient organization than one run on a day-to-day basis by a commission.

If the commission is serving on a part-time basis, the Secretary of course, can serve equally with the public members. The presence of the Secretary on the commission would enable it to maintain the close working relationship that the Commodity Exchange Authority has enjoyed with other agencies of the Department of Agriculture, particularly the Economic Research Service and the Statistical Reporting Service which have access to information about agricultural markets not otherwise available to the commission.

A full-time commission set up to regulate the futures markets has many disadvantages. First, and perhaps foremost, it would be a mistake for the Congress to further proliferate the independent regulatory agencies by setting up a new bureaucracy with costly new demands. The concept of an independent agency with all of its members appointed for specified and lengthy terms also leaves a great deal to be desired. Such commissions tend to become unresponsive to the views of the public, the position of the administration, or the will of the Congress. As long as the Secretary of Agriculture is a member, and he, of course, could not operate effectively on a commission where the other members serve full-time, there will be someone who is in tune with the views of the public, the Executive Branch, and the Congress. Moreover, his knowledge of administration thinking and of forthcoming changes in agricultural policies which affect futures markets would be of immense value to the commission. With such knowledge, the commission could move more rapidly and more effectively in those cases where futures markets must adjust, sometimes quite suddenly, to major policy shifts.

Finally, the amount of work involved at the commissioner level would not be sufficient for five commissioners working on a full-time basis. Either one of two things would most certainly happen. The commissioners would become involved in the details of the day-to-day operation of the commission, which could better be handled by members of the staff, or the commissioners will have little to do other than performing review functions and making speeches.

I hope that the Congress will consider these matters very carefully and will pass H.R. 13113 without amendment.

Sincerely,

CLAYTON YEUTTER,
Acting Secretary.

I hope the House will defeat the Sisk amendment which, by the way, after much eloquence on the part of our distinguished Member from California, gathered just five votes when presented to the full Agriculture Committee.

Mr. GOODLING. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I have taken this time in order that I may propound a question to the gentleman from California (Mr. SISK).

The bill as now written calls for five commissioners, one of whom shall be the Secretary of Agriculture. If your amendment is adopted, could the Secretary of Agriculture serve?

Mr. SISK. Yes. It does not change his status one iota.

Mr. GOODLING. Does not your amendment say that the man may have no other job?

Mr. SISK. That is very specifically clarified in the amendment. It makes it clear we are talking about public members, and the Secretary is not a public member.

Mr. GOODLING. I do not believe it specifies him as being apart from the other four commissioners. Does it?

Mr. SISK. The amendment reads "Public commissioners shall not engage in" and so on and so forth.

Mr. GOODLING. My question is this, is the Secretary not a public commissioner?

Mr. SISK. No, he is not, under the definitions of this legislation. The legislation as presently written makes it very clear that the public commissioner shall be four in number and the Secretary of Agriculture shall also be a member.

I personally think we should not have the Secretary on there. The gentleman from Nebraska made it very clear that what you want is for the Secretary and the Department of Agriculture to have permission to run the commission. I do not believe that is the way to run a railroad, and I am totally opposed to it, but that is the desire of the committee, so we are going along with the committee. But he is not a public member under the definition of the legislation.

Mr. GOODLING. Does it so state in the bill?

Mr. SISK. That is right. It specifically specifies it as between the public members and the Secretary in connection with the commission.

Mr. GOODLING. I thank the gentleman.

Mr. SMITH of Iowa. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I am going to vote for this bill whether this amendment passes or not, because it is a good bill, but I hope everyone will seriously consider this amendment. I think it is a good amendment and is much needed.

It is not really practical to think that four Commissioners spread out all over the United States, one in California, one in Montana, one in Florida, and so on, are going to be able to get together fast enough when every one of these squeezes or manipulations develops. It is not like the farm credit business where it takes 4 months to get a farm loan. The futures market can become lopsided in 4 minutes. The people need to be on board and know hour by hour what is going on and be able to watch this market constantly.

Whenever there is something that is going to develop, or there is something that is likely to develop, I believe they ought to know it right then and there, and they ought to keep abreast of it that day, that night, and the next day, and then they will consider the different possibilities on how it can be dealt with.

I do not think it is practical to fully perform their responsibilities as a part-time board, and do an adequate job. In my opinion, what will happen if we do it that way is that we will have something similar to the Home Loan Bank Board, with some senior staff person who has been there 20 or 25 years doing the work and making the decisions, and then the Commissioners would rubberstamp his decisions. I think that is something we want to get away from. Therefore we ought to have a full-time Commission who can meet these emergencies as they develop.

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

Mr. SMITH of Iowa. I yield to the gentleman from Minnesota.

Mr. BERGLAND. Mr. Chairman, I thank the gentleman from Iowa for yielding to me.

Mr. Chairman, I think it has been said that this commission is advisory, but may I point out that the bill clearly confers upon this commission power and authority to insure that power is used wisely, carefully, and prudently. I think it is terribly important that these commissioners be placed on a full-time basis. Also, I believe that they should be free from any political or economic pressures that might otherwise be placed upon them by persons who could bring that pressure to bear. And unless we do place these commissioners on a full-time basis so that they can be isolated and insulated from politics, we will be making a serious mistake.

Therefore, Mr. Chairman, I strongly support the amendment.

Mr. SMITH of Iowa. Mr. Chairman, I would also like to point out that this amendment is supported, and its concept is supported not just by the producers, but also by the processors, by the Board of Trade that handles the vast majority of the business, and that this concept is supported throughout the industry, and I think we should adopt the amendment.

Mr. MAYNE. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, it grieves me to disagree with my good friend, the gentleman from Iowa (Mr. SMITH), but on the other hand I am very happy to join the distinguished chairman, the gentleman from Texas (Mr. POAGE), and the distinguished ranking minority member, the gentleman from Virginia (Mr. WAMPLER), in opposition to this amendment.

I strongly feel that H.R. 13113 is a good bill as reported by the committee. I would

hate to see it modified to set up a full-time Commodity Trading Commission rather than part-time Commission now suggested by the bill.

As now envisioned, the Commission would meet for a few days monthly when there was an actual need for their services, with the Commissioners compensated on a per diem basis for each day spent in performance of official duties. Their role is viewed as one of policy establishment and review. The Commission work would be carried out under the direction of a full-time Executive Director who would take policy direction from the Commissioners. The concept of the amendment to have instead four full-time level IV Presidential appointees directing a staff estimated at 300 to 500 workers is most unwise. Not only would a full-time Commission be unwieldy from an organizational standpoint, I fear it would also prove an unjustifiable expense of the taxpayers dollar. The full-time Commissioners would each command a $38,000 annual price tag and would undoubtedly eventually lead to excesses in both staffing and office space. There is a real danger that full-time Commissioners would become empire builders. We have already heard visionary statements that what is really needed is another SEC. Let us not get started on another huge bureaucracy like the SEC here. The SEC is currently operating on an annual budget of over $36 million with over 1,900 permanent employees. H.R. 13113 as proposed will increase present Commodity Exchange Authority—CEA—expenditures by an estimated $5 million annually which will still leave annual expenditures of the new Commodity Futures Trading Commission—CFTC—well below $10 million. This will allow the CFTC to bolster the present CEA staff of 180 to approximately 300. This significant increase in staffing will allow for the kind of regulation needed in the futures trading industry. But let us not get carried away and open the door to the kind of superbureaucracy which four full-time Commissioners will undoubtedly find time to assemble.

Part-time commissioners would bring to the Commission a commonsense approach which has grown far too uncommon among Washington's professional bureaucrats.

I think that part-time Commissioners will be more in touch with the people. They will not come here to Washington and get Potomac fever and become remote from the problems of agriculture and business.

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

Mr. MAYNE. I yield to the gentleman from Idaho.

Mr. SYMMS. I thank the gentleman for yielding.

I should like to associate myself with his remarks. I should like to commend the gentleman in the well today for displaying a great deal of concern for additional bureaucracy and empire building. I, too, am opposed to this amendment.

Mr. MAYNE. I thank the gentleman for his contribution.

Mr. Chairman, a part-time Commission would also have the advantage of being able to draw from the active ranks of the agriculture and business community, picking the very best people for a role in helping oversee futures trading.

A full-time Commission would not have that broad choice of individuals. It could not offer the salary to draw top business leaders permanently from their chosen careers.

But, there are many competent persons who would be eligible and willing to serve as public members for a few days each month in a prestige position involving a Presidential appointment.

Mr. Chairman, a part-time commission does make a great deal more sense. I, therefore, join the distinguished Chairman in opposing this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California (Mr. SISK).

The question was taken; and the Chairman announced that the "noes" appeared to have it.

RECORDED VOTE

Mr. SISK. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 158, noes 179, not voting 95, as follows:

[Roll No. 168]

AYES—158

Abzug	Grasso	O'Hara
Adams	Green, Oreg.	Owens
Alexander	Green, Pa.	Perkins
Anderson, Calif.	Gude	Peyser
Andrews, N.C.	Hamilton	Pike
Andrews, N. Dak.	Hawkins	Preyer
Annunzio	Hays	Quie
Ashley	Hechler, W. Va.	Randall
Aspin	Heckler, Mass.	Rangel
Barrett	Heinz	Rees
Bergland	Hicks	Regula
Biester	Hinshaw	Reuss
Bingham	Holifield	Riegle
Blatnik	Holtzman	Rinaldo
Boland	Horton	Roberts
Brademas	Howard	Rodino
Breaux	Hungate	Roncalio, Wyo.
Brown, Calif.	Ichord	Rooney, Pa.
Burke, Calif.	Johnson, Calif.	Rosenthal
Burke, Mass.	Jones, N.C.	Rostenkowski
Burlison, Mo.	Jones, Okla.	Roush
Carney, Ohio	Jones, Tenn.	Roy
Casey, Tex.	Jordan	Roybal
Chappell	Karth	St Germain
Chisholm	Kastenmeier	Sarasin
Clark	Kluczynski	Sarbanes
Cohen	Koch	Satterfield
Collins, Ill.	Kyros	Schroeder
Conyers	Leggett	Seiberling
Coughlin	Litton	Sisk
Culver	Long, Md.	Smith, Iowa
Daniels, Dominick V.	Luken	Stark
Davis, Ga.	McCloskey	Steed
Davis, S.C.	McCormack	Steele
Dellums	McFall	Stephens
Denholm	McKay	Studds
Dent	McKinney	Symington
Donohue	McSpadden	Thornton
Drinan	Mann	Ullman
Eckhardt	Matsunaga	Van Deerlin
Edwards, Calif.	Melcher	Vander Veen
Eilberg	Metcalfe	Vanik
Evans, Colo.	Mezvinsky	Vigorito
Evins, Tenn.	Minish	Waggonner
Flowers	Mink	Waldie
Foley	Mitchell, Md.	Whalen
Ford	Moakley	White
Fraser	Moorhead, Pa.	Wilson, Charles H., Calif.
Frenzel	Morgan	Wilson, Charles, Tex.
Fuqua	Mosher	Young, Ga.
Gaydos	Moss	Young, Ill.
Gonzalez	Murphy, Ill.	
	Nedzi	
	Nix	
	Obey	

NOES—179

Abdnor	Gettys	Parris
Archer	Gilman	Passman
Armstrong	Goldwater	Pettis
Bafalis	Goodling	Poage
Baker	Gross	Price, Tex.
Bauman	Grover	Pritchard
Beard	Gunter	Railsback
Bell	Guyer	Rarick
Bennett	Haley	Rhodes
Blackburn	Hammer-schmidt	Robinson, Va.
Boggs	Hanrahan	Robison, N.Y.
Bray	Hansen, Idaho	Rogers
Breckinridge	Harsha	Roncallo, N.Y.
Brinkley	Hastings	Rousselot
Brooks	Henderson	Runnels
Brotzman	Hillis	Ruppe
Brown, Mich.	Hogan	Ryan
Brown, Ohio	Holt	Sandman
Broyhill, N.C.	Hosmer	Scherle
Buchanan	Huber	Sebelius
Burgener	Hudnut	Shoup
Burke, Fla.	Hunt	Shriver
Burleson, Tex.	Hutchinson	Shuster
Burton	Jarman	Skubitz
Butler	Johnson, Colo.	Slack
Byron	Johnson, Pa.	Smith, N.Y.
Camp	Kemp	Spence
Cederberg	Ketchum	Staggers
Chamberlain	King	Steelman
Clancy	Kuykendall	Steiger, Ariz.
Clausen, Don H.	Lagomarsino	Stokes
Clawson, Del	Landgrebe	Stratton
Cleveland	Latta	Stubblefield
Cochran	Lent	Symms
Collins, Tex.	Lott	Talcott
Conable	Lujan	Taylor, N.C.
Crane	McClory	Thomson, Wis.
Daniel, Dan	McCollister	Thone
Daniel, Robert W., Jr.	Madden	Treen
Davis, Wis.	Madigan	Vander Jagt
Delaney	Mahon	Veysey
Dellenback	Mallary	Walsh
Dennis	Maraziti	Wampler
Derwinski	Martin, N.C.	Ware
Devine	Mathias, Calif.	Whitehurst
Dingell	Mayne	Whitten
Downing	Mazzoli	Widnall
Duncan	Michel	Wilson, Bob
du Pont	Miller	Winn
Edwards, Ala.	Mitchell, N.Y.	Wright
Erlenborn	Mizell	Wyatt
Eshleman	Mollohan	Wylie
Findley	Montgomery	Wyman
Fish	Moorhead, Calif.	Yates
Fisher	Murtha	Yatron
Flood	Myers	Young, Alaska
Forsythe	Natcher	Young, Fla.
Fountain	Nelsen	Young, S.C.
Froehlich	O'Brien	Young, Tex.
		Zion
		Zwach

NOT VOTING—95

Addabbo	Giaimo	Podell
Anderson, Ill.	Gibbons	Powell, Ohio
Arends	Ginn	Price, Ill.
Ashbrook	Gray	Quillen
Badillo	Griffiths	Reid
Bevill	Gubser	Roe
Biaggi	Hanley	Rooney, N.Y.
Bolling	Hanna	Rose
Bowen	Hansen, Wash.	Ruth
Brasco	Harrington	Schneebeli
Broomfield	Hébert	Shipley
Broyhill, Va.	Helstoski	Sikes
Carey, N.Y.	Jones, Ala.	Snyder
Carter	Kazen	Stanton, J. William
Clay	Landrum	Stanton, James V.
Collier	Lehman	Steiger, Wis.
Conlan	Long, La.	Stuckey
Conte	McDade	Sullivan
Corman	McEwen	Taylor, Mo.
Cotter	Macdonald	Teague
Cronin	Martin, Nebr.	Thompson, N.J.
Danielson	Mathis, Ga.	Tiernan
de la Garza	Meeds	Towell, Nev.
Dickinson	Milford	Udall
Diggs	Mills	Wiggins
Dorn	Minshall, Ohio	Williams
Dulski	Murphy, N.Y.	Wolff
Esch	Nichols	Wydler
Fascell	O'Neill	Zablocki
Flynt	Patman	
Frelinghuysen	Patten	
Frey	Pepper	
Fulton	Pickle	

So the amendment was rejected.

The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. FINDLEY

Mr. FINDLEY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FINDLEY: On page 9, line 9 strike the quotation marks and insert in lieu thereof the following paragraph:

"In its first report, or as soon thereafter as possible, the Commission shall report its findings on the feasibility of an exchange for the trading of crude oil and its derivatives, and the best method of establishing and operating an exchange which would be the exclusive source of supply for these commodities."

Mr. FINDLEY. Mr. Chairman, studies and reports of the kind contemplated by this amendment are clearly in my opinion authorized by the legislation.

I have discussed the desirability of this study and report with the distinguished chairman of the Committee on Agriculture, the gentleman from Texas (Mr. POAGE); also with the gentleman from South Dakota (Mr. DENHOLM), the gentleman from Virginia (Mr. WAMPLER), the gentleman from Nebraska (Mr. THONE), and the gentleman from Kansas (Mr. SEBELIUS).

I believe that I reflect accurately the views of those gentlemen when I state that they feel the study and report would be appropriate and would be in the public interest.

Mr. Chairman, by means of Government regulation, this bill seeks to keep competition at high and fair levels in the sale of commodities through public exchanges.

These exchanges—the Chicago Board of Trade is the world's largest—are a vital link between the buyer and seller. They enable both to hedge against price fluctuations, and thus help to deliver fair value to the ultimate consumers of the commodities.

Because they are open to public scrutiny and under this bill under close Government regulation, they assure that a Pike County, Ill., farmer who wishes to hedge part of his expected $10,000 corn crop in a modest futures contract, will receive the same fair treatment as General Mills which annually contracts for millions of dollars in grain futures.

These exchanges often impress strangers in the visitors' gallery as uncontrollable chaos. In reality they promote orderly marketing, take the bumps out of price fluctuations, guarantee a supply source for buyers and markets for sellers. But best of all, they keep competition at high and fair levels for all buyers and sellers, large and small. They are the modern version of the ancient public marketplace. They are the essence of competitive private enterprise.

In my view, the Committee on Agriculture deserves congratulations for producing a legislative framework through which the rapid growth of these great exchanges can be guided in the public interest.

This occasion is, I feel, a suitable time to set in motion a study which conceivably could lead to an even broader use of such exchanges.

I have in mind the possibility that crude oil and its derivatives could be marketed substantially if not exclusively through a great new petroleum exchange.

If so, this development could impart to the petroleum industry the same high and fair levels of competition that exchanges have helped to impart to the handling of other commodities.

I have therefore drafted the following amendment, which would serve as a directive to the Commission to be established under this bill:

In its first report, or as soon thereafter as possible, the Commission shall report its findings on the feasibility of an exchange for the trading of crude oil and its derivatives, and the best method of establishing and operating an exchange which would be the exclusive source of supply for these commodities.

The Commission will consist of people knowledgeable and well-known in the exchange field, and therefore well equipped to direct the study contemplated by the amendment. In asking for support for this amendment. I do not ask Members to endorse anything beyond the study itself. It may well be that the establishment of such an exchange, either on a voluntary or exclusive basis, will be found to be impracticable.

Exchanges for other commodities, however, have been found so beneficial to the broad public interest as well as to more narrow private interests that I feel the study is worthy of highest priority by the new Commission. I am optimistic that in time a petroleum exchange will be established.

The study is especially timely because of public anxiety about the petroleum industry and the possibility of monopolistic tendencies in it. As never before, a high level of competition is needed.

Motorists who had great difficulty buying gasoline one month at 40 cents a gallon, but found supplies abundant the next month at 55 cents will be excused for wondering out loud just how much competition actually exists in the petroleum industry, and whether the gas shortage was just a hoax to create more docile acceptance of the higher prices. They wonder also if the experience of the past winter has forced many small independent firms out of business.

Certainly, the known facts suggest that the petroleum industry is extensively vertically integrated and is gripped by monopolistic tendencies.

For example, the eight major oil companies—Exxon, Texaco, Gulf, Shell, Standard Oil of California, Arco, Standard Oil of Indiana, and Mobil—control more than half the total business at each basic level of the industry—crude oil production, pipeline transportation, refining of crude oil, and distribution of refined products.

The effect has been to eliminate the markets between the levels of the industry which would otherwise exist.

The fact that similar monopolistic tendencies exist in other industries—like auto and steel manufacture—is small comfort. Actually, no other industry is so vertically integrated and so dominated at each level of integration by the same combinations as is the petroleum industry.

The meaning to the public is obvious. The Standard Oil trust, which was the first target of Federal trust-busting a century ago, still flourishes in effect, although not in name. Its operations may be motivated more admirably—and I believe they are—but the potential for damage to the public interest is as great as ever. Perhaps greater.

Even if monopolistic tendencies did not exist at each of these vital levels in the petroleum industry, competitive problems would abound. The investment required to enter any of the levels is formidable. With the economic lifeline for each level so completely controlled by the vertically integrated companies, it is small wonder that so few new ventures into refining or marketing are attempted.

Successful entry into an industry dominated by vertical structures seems to call for a new vertical structure.

When a company is vertically integrated, no particular level need be profitable as long as the total structure makes money. Vertically integrated petroleum firms have traditionally taken high profits on crude, rather than seeking an even profit spread among all levels. This makes crude expensive to everyone else and presents a formidable barrier to entry into any single level of the industry. In these circumstances, the public must rely on the benevolence of industry leadership, rather than the more dependable forces of marketplace competition.

Various ways to improve competition in the industry have been proposed. One possibility is nationalization, but it is hardly worth a second glance. A look at the Federal Government's lack of success in managing the relatively simple business of delivering mail is not reassuring. If Uncle Sam cannot deliver the mail efficiently, how can he possibly handle the highly complicated business of petroleum production and marketing?

Another possibility is divestiture through legislative action. This, like breakup of monopolies through antitrust action, is at best a long and painful process that requires an extraordinary level of sustained commitment. While both avenues should be examined thoroughly, neither provides an answer sufficiently short term.

The possibility with which this amendment is concrened is the use of open exchanges as a means of accomplishing swiftly and painlessly virtually the same competitive effect as divestiture, but without divestiture.

If supplies of crude and its derivatives can be legally acquired only through open exchanges, the petroleum giants will be forced to operate each level of their operations as separate companies. Exxon, for example, would market all of its crude in the petroleum exchange and, in turn, fill all its crude requirements for refining in the same place. Supplies of basic derivatives for marketing would be acquired the same way.

This arrangement would assure small firms continuity of supply, fair prices,

and equal access. It would limit if not prevent the big firms from exerting heavy pressure on small nonintegrated competitors by concentrating profits at one level to the exclusion of others.

To the best of my knowledge, this possibility was first described in print by Allan S. Hoffman, a Washington attorney who served previously in the Antitrust Division of the Department of Justice. He presented the idea in an editorial section feature of the March 24, 1974, Washington Post. The text of his article was placed in the CONGRESSIONAL RECORD of March 27, 1974, pages 8413–15, by Senator HUBERT H. HUMPHREY.

While Mr. Hoffman proposes an exchange which would be the exclusive source of supply for crude and its derivatives, an exchange in which participation is voluntary could be a step in the right direction. It would be examined as a possibility. Even a modest level of trading would help to improve competitive relationships.

The practicality of futures trading in petroleum was sufficient this week to prompt the New York Mercantile Exchange to announce that it will soon begin trading in heating oil, fuel oil and freight rate futures. The Chicago Board of Trade is giving thought to the establishment of similar contracts.

While it would be excessive to assert that the establishment of a petroleum exchange will solve all the competitive ills of the industry, it is certainly a proposal that holds much promise and deserves thorough and prompt examination.

Mr. Chairman, if the distinguished chairman of the Committee on Agriculture will respond, I would appreciate any comment which he wishes to make concerning this amendment.

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

Mr. FINDLEY. I yield to the distinguished chairman.

Mr. POAGE. Mr. Chairman, it seems to me that the gentleman has an idea that is deserving of consideration. I would not want to say that I would wish by law to impose those kinds of duties upon this commission, because here we get into the tremendous field of petroleum, which certainly has nothing to do with agricultural commodities.

I believe the study and report is appropriate. I think that to impose duties by law upon this commission, duties of this type upon this commission, is entirely inappropriate, and I would, therefore, not feel that the amendment is desirable at this time.

Mr. FINDLEY. Mr. Chairman, in light of the observations made by the distinguished chairman of the Committee on Agriculture in support of the study and report being made, I feel this is adequate legislative history.

I think it is a sufficient directive to the commission to proceed with the study and report, and I, therefore, see no need for further consideration of the amendment.

Mr. Chairman, I ask unanimous consent that my amendment be withdrawn from further consideration at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

AMENDMENTS OFFERED BY MR. VANIK

Mr. VANIK. Mr. Chairman, I offer two amendments, and I ask unanimous consent that they be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

The Clerk read as follows:

Amendments offered by Mr. VANIK: Page 34, line 1, strike out "except" and insert "including".

Page 40, line 16, strike out "excepting" and insert "including".

Mr. VANIK. Mr. Chairman, the amendments which I offer at this time are amendments which were very carefully prepared by our colleague, the gentlewoman from Missouri (Mrs. SULLIVAN).

Mr. Chairman, the purpose of these amendments is to enable the Commission to be able to act effectively to prevent excessive speculation in futures trading by having the power to deal with the fixing of margins. I think that unless this authority exists in the bill, it will be impossible to prevent the tremendous speculation that is taking place in commodities.

For example, it takes only a few dollars to buy a future. Last year's records indicate for $400 one could buy a future in 42,000 pounds of beef of feeder cattle, and an increase in price of 1 cent would permit a person to double the value of his investment. It is this kind of margin trading we must worry about. It is not the farmer using the commodities market to hedge on his agricultural investment we are concerned about. We must be concerned about the role of the speculator.

I would also like to call the attention of the committee to the places in the committee's own report where experts recommended that the power to set margins be provided to the new Commodity Futures Trading Commission. There is a letter from the Department of Justice on page 27 which states:

> We realize proposals to provide agency control over margin of farmers has evoked considerable opposition from the commodity exchanges in the past, but we seriously question whether a regulatory agency can adequately police undue speculative activity without some input into the margin equation.

There is also a letter from the Comptroller General, Elmer Staats, of the General Accounting Office, on page 67, which states in part:

> If those factors which are considered and evaluated by exchange officials in establishing and adjusting margin requirements are identifiable, a formula or table might be developed for margin levels. Testimony by the National Grain and Feed Association before your Committee on October 17, 1973, pointed out that a careful study would reveal safe margin levels to be a function of current price and trading conditions. The Association stated that a margin formula or table for each commodity would put all traders on notice of any automatic margin changes that would go into effect under given circumstances and would alleviate charges against the exchanges of discriminatory changes in margins.
>
> The Committee may wish to consider requiring that the Commission, in conjunction with the commodity industry, study the feasibility of developing a margin formula or margin table.

That is precisely what I have suggested in the amendment I offer now, which has been prepared in conjunction with the efforts of our distinguished colleague.

Mr. Chairman, I ask that the committee look favorably upon this recommendation and adopt an amendment which I believe will carry out the constructive purposes of this Commission and provide assurance that the speculator will be somewhat controlled by the authority in the Commission to fix margin requirements.

Mr. PRICE of Texas. Will the gentleman yield?

Mr. VANIK. I am very happy to yield to the gentleman.

Mr. PRICE of Texas. I thought the gentleman said a minute ago that it only took $400 to buy a livestock future contract. I cannot see where the farmer, if you require him to put out additional sums, will be able to get this money. A contract has gone from $400 to $600, and it is over $1,000 per contract at the present time. If you increase the amount of money a farmer has to put up to buy the contract, many of these men just do not have the liquidity on which to borrow the money so that they can hedge a futures contract which would be beneficial to them. I think if we raise it exorbitantly, it would be a hardship on these men.

Mr. VANIK. I might say that I did not suggest how the margin requirement ought to be fixed. I believe the commission in its good judgment would find a way of protecting the farmer who is making a legitimate hedge. There are ways of distinguishing between speculators and farmers with proper margin needs, if the power is vested in the Commission.

Mr. PRICE of Texas. I thank the gentleman for yielding.

Mr. VANIK. Mr. Chairman, I include the gentlelady Mrs. SULLIVAN's remarks at this point in the RECORD.

Mrs. SULLIVAN. Mr. Chairman, I support H.R. 13113 as far as it goes, but in order for the new Commodity Futures Trading Commission to be able to act effectively to prevent excessive speculation in futures trading leading to inflationary increases in wholesale and consumer prices of a wide variety of commodities traded on futures exchanges, it must have the power to deal with the question of margin-setting. H.R. 13113 expressly prohibits the Commission from exercising any jurisdiction whatsoever over margins.

One of the things which attracts legions of private citizens into the commodities futures markets during inflationary periods is the very modest downpayments set by the commodity exchanges for trading in a commodity.

Often these margins are as low as 5 percent, or less. When a cattle futures contract was worth $18,000 this time a year ago, all it took was $700 to buy a contract for future delivery of 40,000 pounds of cattle. If the futures price went up 1 cent a pound, the overnight profit on the transaction was $400 on a $700 investment. Multiply that by 5, or 10, or 100 contracts and you can imagine how attractive these markets become to those with loose money with which to gamble.

It is not the legitimate hedger or the traditional speculator who is responsible, for the wide and chaotic swings in futures prices, but the casual investor who comes into the market only when he sees an opportunity for quick riches. The exchanges have a self-interest in encouraging trading by such amateurs in the field because the more traders there are, the more commissions the exchange members make.

And so the exchanges are reluctant to raise margins even when the situation cries for such action.

The Commodity Futures Trading Commission would have the obligation to make sure these markets function in an orderly fashion and prevent excessive speculation, particularly by the uninformed individual interested only in gambling on a short-term change in the quotations. If the exchanges can demonstrate responsibility in the manner in which they set margins, the Commission would not have to act. But under H.R. 13113 as reported, the Commission can not intervene in the margin-setting decisions regardless of the degree of responsibility demonstrated by a particular exchange.

So, you are giving the new Commission wide powers to deal with a variety of abuses in futures trading under this bill, but unless my amendments are adopted, it will lack the power to deal with the most critical factor of all in determining whether a market is operating in an orderly fashion.

These amendments would not hurt the legitimate hedger. There can always be separate rules for hedgers. But, when the outsiders get into a futures market in heavy volume, attracted not only by the hopes of quick killings but also by the very low margin requirements, it is the legitimate hedger who often gets hurt, as Congressman NEAL SMITH'S subcommittee brought out in its investigation.

The Smith subcommittee of the Small Business Committee recommended exactly the kind of authority on margins which my amendments today would provide. If you want to stop the frantic gambling in futures, by people who have no interest in the commodity traded, then it is essential that the Commission have the power to supervise margin setting.

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

This is a subject on which a great many people have very honestly felt there should be authority on the part of the commission to control these margins. Many of us on the committee felt that was the situation until we began to study it a little bit. Most of us are not experts on trading.

I never traded in futures in my life, and most of the Members know nothing about it first-hand. But as one begins to study it one finds that this margin is not for the protection of the individual who is buying or selling the contract; this margin is for the protection of the exchange. It is for the protection of the exchange that is handling these deals because the exchange guarantees the performance of the contracts, and if there is failure on the part of a contract then the exchange must make it good. The exchange makes it good through these margins. So we leave the control of the amount of the margin to the exchange itself. We authorize the exchange to set margins, and to change margins as conditions change, and they may change hourly. Conditions may change very promptly as the gentleman said. But then the people who are going to be directly affected are there, and can take steps to protect themselves. If, on the other hand, we were to take away the authority on the part of the exchanges to make these daily and hourly adjustments on margin, we would take away from that exchange the very essential power to protect itself from bankruptcy. If one establishes a business that cannot protect itself, one brings about disaster very quickly.

For that reason, Mr. Chairman, the committee felt that it was unwise, although on its face it is one of the fairest things that one could suggest. But we believe when one goes into this just a little bit that one finds it is a very unwise thing, and a very unfair approach to try to take away from the exchange the right to protect itself.

The requirement on margin is a protective device, not a device to destroy somebody. It is a device to see that these contracts are carried out. We all say that we want to see that these contracts are carried out. We all say that our great purpose is to try to assure the confidence of the public in these contracts. If we place the power to set the margins in the hands of the Commission then we have taken it away from the exchanges.

Just bear in mind you cannot have it in both places, you have got to have it in one place or the other, and we think that we should leave it in the hands of the exchanges so that they can protect themselves and everybody who deals with them.

I hope that the Members will vote down the amendment.

Mr. WAMPLER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I agree fully with the remarks of my colleague, the distinguished chairman of the Committee on Agriculture, the gentleman from Texas (Mr. POAGE).

The CHAIRMAN. The question is on the amendments offered by the gentleman from Ohio (Mr. VANIK).

The amendments were rejected.

AMENDMENT OFFERED BY MR. BROYHILL OF NORTH CAROLINA

Mr. BROYHILL of North Carolina. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROYHILL of North Carolina: Page 6, line 24, delete subsection (g) in its entirety and substitute in lieu thereof the following:

There are hereby authorized to be appropriated to carry out the provisions of this Act such sums as may be required for the fiscal year ending June 30, 1975, for the fiscal year ending June 30, 1976, for the fiscal year ending June 30, 1977, and for the fiscal year ending June 30, 1978.

Mr. BROYHILL of North Carolina. Mr. Chairman, I offer an amendment to section 101 of the bill, and to section 12 of CGA regarding authorization of appropriations to carry out the provisions of the act. My amendment authorizes such sums as may be required for this purpose for fiscal years 1975, 1976, 1977, and 1978, and would replace the open-ended authorization presently provided in the bill. The practical effect of this amendment is to authorize appropriations for about 3½ years.

My colleagues may recall that last week, during consideration of the Consumer Protection Act, I offered a similar amendment, designed to insure periodic congressional oversight of the activities of the CPA. This amendment was adopted by a substantial margin.

At that time, I stated that I am firmly committed to the principle of continued and active congressional oversight of the many independent agencies which the Congress has established over the years. I feel that the Commodity Futures Trading Commission should be no exception. Although the bill provides for an annual review and audit of the Commission by the General Accounting Office, I believe that the Congress—and specifically the House and Senate Agriculture Committees—should have the opportunity to periodically review the CFTC to determine if changes, modifications, or revisions should be made in its programs, activities, and operations, in conjunction with the budget request. This is only good business practice.

I support enactment of the Commodity Futures Trading Commission Act. A subcommittee of the Select Small Business Committee, on which I serve, held extensive hearings on the commodities marketing system last year and recently issued its report. In it, the subcommittee stated that—

Our marketing system has been, on an overall basis, a very good thing for producers, processors, consumers, and the Nation as a whole. In fact, the system historically has operated so well that people within the system itself cannot believe how near it is to collapsing and how vulnerable it is to manipulation and abuses.

Thus, the subcommittee made a number of recommendations, which have been incorporated into H.R. 13113. First, the subcommittee suggested the creation of a new regulatory agency with authority and responsibility to constantly exercise surveillance over the commodities markets and to prevent and correct abuses and manipulations. Second, it recommended that the GAO be authorized and required to conduct reviews and audits of the Commission and to report to the Congress to help assure

responsibilities. Third, it suggested that the Commission be given the necessary funds to obtain a sufficient and competent staff.

In order to insure that this new Commission does not become an inflated bureaucracy and, therefore, unresponsive to the original intent of the Congress, I feel it is essential to retain congressional oversight of the CFTC. This process will contribute to the greater effectiveness of this agency and will provide more responsiveness to the public interest in the regulatory process.

Therefore, I urge the adoption of my amendment to provide for a 4-year authorization for the proposed Commodity Futures Trading Commission.

The bill provides that the Commission will become effective 180 days after enactment. Assuming final enactment some time this summer, the Commission would become effective about January 1, 1975. Thus the practical effect of my amendment would be to authorize appropriations for operation of the Commission for 3½ years.

It is not my intention with this amendment to infer that the Congress is creating a temporary Commission. My only purpose with this amendment, is to assure congressional review and oversight of the activities of the Commission.

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

Mr. BROYHILL of North Carolina. I yield to the gentleman from Texas.

Mr. POAGE. I thank the gentleman for yielding.

I know the gentleman has been a little disturbed about bringing this thing up every 3 years, and I think there is some danger from that standpoint. But in discussing it with the members of the committee—and I can only say from the standpoint of myself and those with whom I have discussed it—I think maybe the good is as great as the danger in the amendment.

As far as I personally am concerned, I am willing to accept it.

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

Mr. BROYHILL of North Carolina. I yield to the gentleman from Virginia.

Mr. WAMPLER. I thank the gentleman for yielding.

Mr. Chairman, I have examined the amendment offered by the gentleman from North Carolina (Mr. BROYHILL). It seems to me to have a great deal of merit, and, therefore, the amendment is accepted.

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Carolina (Mr. BROYHILL).

The amendment was agreed to.

Mr. FRENZEL. Mr. Chairman, I move to strike the last word.

Mr. Chairman, in section 4j, section 203 of the bill H.R. 13113, on pages 18 and 19, the Commission is given authority to determine whether or not a floor broker may trade for his own account, or another's account, and still execute a customer's order for delivery.

The section provides that the Commission can determine the terms and conditions under which such trades may be executed. This particular section directs the Commission to take into account, at a minimum, the effect upon the liquidity of the particular market, and it also directs the Commission to make separate determinations for different markets.

This particular section is noted in the committee report in the summary on page 3, and it gets more detailed treatment on page 64 in the letter from the Comptroller General of the United States. The Comptroller General's statement speaks of liquidity, and the need to establish different standards in different markets.

Mr. Chairman, the Minneapolis Grain Exchange is a small market. It works largely but not exclusively in the trading of a single commodity, wheat. The people of my area who rely on this market to serve their needs are much concerned that the brokers in this market be able to trade both for their accounts and for their customers. As I said before, compared to some of the giant exchanges, it is pretty small, but it is important to our area.

Because of the concern evidenced by some of my constituents, I would like to ask the distinguished chairman of the committee, the gentleman from Texas (Mr. POAGE), whether or not the Minneapolis Grain Exchange might be the kind of market in which the committee contemplated that brokers might operate both for their customers and for their own account to preserve the liquidity of the market?

Mr. POAGE. Mr. Chairman, if the gentleman will yield, the Minneapolis Exchange is the exchange for which this provision was written. The gentlemen from Minnesota (Mr. ZWACH and Mr. BERGLAND) very carefully pointed out, as the gentleman has, to the House that this is a young, struggling exchange that does not have the depth of market that some of the other markets have and it was felt they should not be burdened with excessive regulations that might be avoided. So we specifically provided that the Commission might provide different regulations for different markets.

We then made sure that they would consider the question of liquidity in the so-called thin markets. We specifically provided, as on page 19, line 4—

> That any such determination shall, at a minimum, take into account the effect upon the liquidity of trading of each market . . .

This was done so they cannot overlook that item, although they could take into consideration all other items that they want to, but we do require that they first, at the very minimum, take into consideration this question of liquidity, which is the question involving the Minneapolis market.

Mr. FRENZEL. I thank the distinguished chairman for his clear and careful statement, which confirms the statements already made by my two colleagues from Minnesota (Mr. BERGLAND and Mr. ZWACH).

Mr. Chairman, it is my hope that the Commission when formed, will be firmly guided by this discussion between the chairman and myself and by the language of the bill. I am sure we are all aware that regulations made by independent commissions sometimes seem to run contrary to congressional intentions. I think today the chairman of the Committee on Agriculture has given us a very strong definition of these intentions with respect to this particular market, the Minneapolis Grain Exchange.

AMENDMENT OFFERED BY MR. YOUNG OF SOUTH CAROLINA

Mr. YOUNG of South Carolina. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

> Amendment offered by Mr. YOUNG of South Carolina: Page 42, line 17, strike out lines 17 through 25; and page 43, line 1, strike out lines 1 and 2.

Mr. YOUNG of South Carolina. Mr. Chairman, under this provision we describe under line 17 a market emergency for the intervention of foreign governments. The thing that concerns me is that much of our commodities from this country go into the world trade. If this Commission saw fit to stop trade by foreign governments, and the Japanese Government itself buys much of the commodities we have in this country, they could stop the trade.

I continue to be concerned about the activities of this Commission and what it might do to affect the prices of the farm products in this country. One-quarter to one-half of our farm commodities are sold in the world market, yet this Commission can step in at any time and stop this trade if they see fit.

I think we are going to jeopardize the price of the farm commodities we grow by the restrictions of this Commission on world trade.

Mr. POAGE. Mr. Chairman, I rise in opposition to the amendment. I think it is clear, although I have not seen the amendment before, but I believe it is rather clear that what the amendment does is take away the authority that the Commission would have to protect us in the case of another Russian grain deal from the Russians themselves going into the market and using the exchanges as a means of making a double profit on a deal with the United States, because the gentleman strikes out the very features that we feel are essential to give the Commission this kind of protection.

He strikes out the definition of a market emergency which is defined to be a significant intervention of foreign governments in the futures market, war, and other national emergencies. His amendment strikes that out. We think it is rather essential we keep those provisions in this bill. We know that the bill cannot give us a 100-percent guarantee against that sort of thing in the future; but we believe it does give a rather substantial assurance and does give this Commission the authority that was lacking 2 years ago.

We do provide that new authority and we think it is right and important that we keep this in. Therefore, I would hope we defeat the amendment.

Mr. YOUNG of South Carolina. Mr. Chairman, will the gentleman yield?

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

Mr. YOUNG of South Carolina. Would the gentleman describe the market emergency as something that would have applied to the Russian exchange of wheat?

Mr. POAGE. Yes. The thing the gentleman from South Carolina would strike out is defined to mean "a significant intervention of foreign governments." Now, certaintly there was a significant intervention of a foreign government in the case of the Russian wheat sale. I do not mean that in a wicked sense, but I mean certainly the action of a foreign government played a tremendous hand.

I think to strike this out clearly greatly weakens this bill. I know the gentleman wants to strengthen this, but I am sure what he does is greatly weakening the thing he is seeking to strengthen.

Mr. YOUNG of South Carolina. If the gentleman will continue to yield, would he say that the exchange of wheat to Russia was a bad thing when in turn it raised the wheat price to farmers in this country to $5 a bushel; is that a bad situation?

Mr. POAGE. No; the chairman has never said that was a bad thing, but the chairman has said and says now that it is a very dangerous thing to leave these futures markets open to where the Russians or the Chinese or anybody else could manipulate these markets. When they know they are going to make a large purchase of spot grain in the United States they know that is going to affect the futures price.

The chairman wants to give somebody some authority to stop the use of these markets as a means of bleeding the United States.

Certainly the gentleman from South Carolina recognizes that had the Russians been a little smarter than they were, they would have gone into the markets and would have bought futures at the same time they bought the spot grain, knowing they could reap an increase from the futures that would pay for all their spot grain. They just were not smart enough to do it.

Mr. YOUNG of South Carolina. Suppose the Commission made an unfair decision, could this affect the price of wheat and soybeans and cotton to the farmers in the country?

Mr. POAGE. Yes, certainly, it could. Anytime agencies make bad decisions, it reflects those conditions to our farmers and to our consumers.

Mr. SMITH of Iowa. Mr. Chairman, will the gentleman yield?

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

Mr. SMITH of Iowa. As a matter of fact, on the Kansas City Board, there was just such manipulation of cases and it took the Department of Justice 9 months to correct that. This should have been done before that damage was done.

Mr. POAGE. That is exactly right. We should try before the damage is done to give some authority to prevent this damage.

Now, let me point out that we had the figures on it and had the Russians taken advantage of this, they did not take advantage of its because they did not seem to be familiar with our marketing system; but had they taken advantage of the futures markets at the increases that actually took place, they could have hauled home every bushel of grain they took home without paying one thin dime to the United States, because they could have paid it all out of their profits on the futures market.

We are trying to prevent that before it occurs. And the gentleman is taking away the only weapon we have for the U.S. Government to protect this country from that kind of bleeding situation in the future.

The CHAIRMAN. The question is on the amendment offered by the gentleman from South Carolina (Mr. YOUNG).

The amendment was rejected.

Mr. SYMMS. Mr. Chairman, I move to strike the last word.

Mr. Chairman, the reason I am rising is to announce to the committee that at the appropriate time, if I have the opportunity, I will be offering a motion to recommit and I would like to have the members of the committee understand what will be in this motion.

Mr. Chairman, my recommittal motion will be of the Findley bill, H.R. 5406, which expands the commodity exchange authority into all commodities that are traded in this country, and not regulated. It strikes out those that are now covered, the 25 items that are now regulated, and inserts in lieu thereof any agricultural product, forestry product, or natural resource—either in raw or processed form—including divisions, multiples, or derivatives of the aforementioned, that are traded on exchanges in futures contracts.

Mr. Chairman, what this does is that it simply covers all the bucket shops and nonregulated futures trading taking place in the United States today under present commodity exchange authority without creating a new bureaucracy, which this legislation will do; without creating any injunctive powers and expanded authority that has worked so well. Therefore, I will offer this motion at the proper time. Then hopefully we can allow the pulse of liberty to continue to beat in hearts of those who use the futures markets.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair (Mr. HAWKINS) Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 13113) to amend the Commodity Exchange Act to strengthen the regulation of futures trading, to bring all agricultural and other commodities traded on exchanges under regulation, and for other purposes, pursuant to House Resolution 1029, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

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

MOTION TO RECOMMIT WITH INSTRUCTIONS OFFERED BY MR. SYMMS

Mr. SYMMS. Mr. Speaker, I offer a motion to recommit with instructions.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. SYMMS. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. SYMMS moves to recommit the bill, H.R. 13113 to the Committee on Agriculture with instructions to report the same back forthwith with the following amendment:

Page 1, Line 3 strike out all after the enacting clause and insert in lieu thereof the following:

That the third sentence of section 2(a) of the Commodity Exchange Act, as amended (7 U.S.C. 2), is amended by striking out "wheat, cotton, rice, corn, oats, barley, rye, flaxseed, grain sorghums, mill feeds, butter, eggs, onions, Solanum tuberosum (Irish potatoes), wool, wool tops, fats and oils (including lard, tallow, cottonseed oil, peanut oil, soybean oil, and all other fats and oils), cottonseed meal, cottonseed, peanuts, soybeans, soybean meal, and frozen concentrated orange juice." and inserting in lieu thereof "any agricultural product, forestry product, or natural resource (either in raw or processed form), including divisions, multiples, or derivatives of the aforementioned, that are traded on exchanges in futures contracts.".

The SPEAKER. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

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

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

The SPEAKER. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 281, nays 43, not voting 108, as follows:

[Roll No. 169]

YEAS—281

Abdnor	Bafalis	Boland
Abzug	Barrett	Brademas
Adams	Bauman	Bray
Alexander	Bell	Breaux
Anderson, Calif.	Bennett	Breckinridge
	Bergland	Brinkley
Andrews, N. Dak.	Biester	Brooks
	Bingham	Brotzman
Annunzio	Blackburn	Brown, Calif.
Ashley	Blatnik	Brown, Mich.
Aspin	Boggs	Brown, Ohio

Broyhill, N.C.	Holt	Randall
Buchanan	Holtzman	Rangel
Burgener	Horton	Rees
Burke, Calif.	Hosmer	Regula
Burke, Mass.	Howard	Reuss
Burleson, Tex.	Hudnut	Rhodes
Burlison, Mo.	Hungate	Rinaldo
Burton	Hutchinson	Roberts
Butler	Ichord	Robinson, Va.
Byron	Jarman	Robison, N.Y.
Carney, Ohio	Johnson, Calif.	Rodino
Cederberg	Johnson, Colo.	Rogers
Chamberlain	Johnson, Pa.	Roncalio, Wyo.
Chappell	Jones, N.C.	Rooney, Pa.
Clausen, Don H.	Jones, Okla.	Rosenthal
	Jones, Tenn.	Rostenkowski
Cleveland	Jordan	Roush
Cochran	Karth	Roy
Cohen	Kastenmeier	Roybal
Conable	King	Ruppe
Conyers	Kluczynski	St Germain
Coughlin	Koch	Sandman
Culver	Kuykendall	Sarasin
Daniel, Dan	Kyros	Sarbanes
Daniels, Dominick V.	Lagomarsino	Scherle
	Latta	Schroeder
Davis, Ga.	Leggett	Sebelius
Davis, Wis.	Lent	Seiberling
Delaney	Litton	Shoup
Dellenback	Long, Md.	Shriver
Dellums	Luken	Shuster
Denholm	McClory	Sisk
Dent	McCloskey	Skubitz
Dingell	McCollister	Slack
Donohue	McCormack	Smith, Iowa
Downing	McFall	Smith, N.Y.
Drinan	McKay	Staggers
Duncan	McKinney	Stark
du Pont	Macdonald	Steed
Eckhardt	Madden	Steele
Edwards, Ala.	Madigan	Steelman
Edwards, Calif.	Mahon	Stephens
Eilberg	Mallary	Stokes
Erlenborn	Mann	Stratton
Eshleman	Maraziti	Stubblefield
Evans, Colo.	Martin, N.C.	Studds
Evins, Tenn.	Mathias, Calif.	Symington
Fish	Matsunaga	Talcott
Fisher	Mayne	Taylor, N.C.
Flood	Mazzoli	Thomson, Wis.
Flowers	Melcher	Thone
Foley	Mezvinsky	Thornton
Ford	Michel	Van Deerlin
Forsythe	Miller	Vander Jagt
Fountain	Minish	Vander Veen
Fraser	Mink	Vanik
Frenzel	Mitchell, Md.	Veysey
Froehlich	Mitchell, N.Y.	Vigorito
Fuqua	Mizell	Waggonner
Gaydos	Moakley	Waldie
Gilman	Mollohan	Walsh
Gonzalez	Montgomery	Wampler
Grasso	Moorhead, Pa.	Ware
Green, Oreg.	Morgan	Whalen
Green, Pa.	Mosher	White
Gross	Murphy, Ill.	Whitehurst
Gude	Murtha	Whitten
Gunter	Myers	Widnall
Guyer	Natcher	Wilson, Bob
Haley	Nedzi	Wilson, Charles H., Calif.
Hamilton	Nelsen	
Hammer-schmidt	Nix	
	Obey	Wilson, Charles, Tex.
Harsha	O'Brien	
Hastings	O'Hara	Wright
Hawkins	Owens	Wyatt
Hays	Passman	Wylie
Hechler, W. Va.	Perkins	Wyman
Heckler, Mass.	Pettis	Yates
Heinz	Peyser	Yatron
Henderson	Pike	Young, Ga.
Hicks	Poage	Young, Ill.
Hillis	Preyer	Young, Tex.
Hinshaw	Pritchard	Zwach
Hogan	Quie	
Holifield	Railsback	

NAYS—43

Archer	Goodling	Rarick
Armstrong	Grover	Rousselot
Baker	Hanrahan	Runnels
Beard	Hansen, Idaho	Ryan
Burke, Fla.	Huber	Satterfield
Clancy	Hunt	Spence
Clawson, Del	Kemp	Steiger, Ariz.
Collins, Tex.	Ketchum	Symms
Crane	Landgrebe	Treen
Davis, S.C.	Lott	Young, Alaska
Dennis	Lujan	Young, Fla.
Derwinski	McSpadden	Young, S.C.
Devine	Moss	Zion
Gettys	Parris	
Goldwater	Price, Tex.	

NOT VOTING—108

Addabbo	Flynt	Pickle
Anderson, Ill.	Frelinghuysen	Podell
Andrews, N.C.	Frey	Powell, Ohio
Arends	Fulton	Price, Ill.
Ashbrook	Giaimo	Quillen
Badillo	Gibbons	Reid
Bevill	Ginn	Riegle
Biaggi	Gray	Roe
Bolling	Griffiths	Roncallo, N.Y.
Bowen	Gubser	Rooney, N.Y.
Brasco	Hanley	Rose
Broomfield	Hanna	Ruth
Broyhill, Va.	Hansen, Wash.	Schneebeli
Camp	Harrington	Shipley
Carey, N.Y.	Hébert	Sikes
Carter	Helstoski	Snyder
Casey, Tex.	Jones, Ala.	Stanton, J. William
Chisholm	Kazen	
Clark	Landrum	Stanton, James V.
Clay	Lehman	
Collier	Long, La.	Steiger, Wis.
Collins, Ill.	McDade	Stuckey
Conlan	McEwen	Sullivan
Conte	Martin, Nebr.	Taylor, Mo.
Corman	Mathis, Ga.	Teague
Cotter	Meeds	Thompson, N.J.
Cronin	Metcalfe	Tiernan
Daniel, Robert W., Jr.	Milford	Towell, Nev.
	Mills	Udall
Danielson	Minshall, Ohio	Ullman
de la Garza	Moorhead, Calif.	Wiggins
Dickinson		Williams
Diggs	Murphy, N.Y.	Winn
Dorn	Nichols	Wolff
Dulski	O'Neill	Wydler
Esch	Patman	Zablocki
Fascell	Patten	
Findley	Pepper	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Murphy of New York for, with Mr. Dulski against.

Mr. Andrews of North Carolina for, with Mr. Thompson of New Jersey against.

Mr. O'Neill for, with Mr. Martin of Nebraska against.

Until further notice:

Mr. Rose with Mr. Roe.
Mr. Hébert with Mr. Stuckey.
Mr. Reid with Mr. Anderson of Illinois.
Mr. Rooney of New York with Mr. Ginn.
Mr. J. William Stanton with Mr. Arends.
Mr. Addabbo with Mr. Broomfield.
Mr. Fulton with Mr. Carter.
Mr. Giaimo with Mr. Robert W. Daniel, Jr.
Mr. Brasco with Mr. Gray.
Mr. Pickle with Mr. Collier.
Mr. Podell with Mr. Dorn.
Mr. Nichols with Mr. Broyhill of Virginia.
Mr. Biaggi with Mr. Esch.
Mr. Bevill with Mr. Camp.
Mrs. Chisholm with Mrs. Griffiths.
Mr. Kazen with Mr. Findley.
Mr. Clay with Mr. Helstoski.
Mr. Diggs with Mr. Harrington.
Mr. Metcalfe with Mr. Danielson.
Mr. Patten with Mr. Dickinson.
Mr. Carey of New York with Mr. Conte.
Mrs. Collins of Illinois with Mrs. Hansen of Washington.
Mr. Cotter with Mr. Conlan.
Mr. Mathis of Georgia with Mr. Frey.
Mr. Tiernan with Mr. Hanna.
Mr. Wolff with Mr. Gibbons.
Mr. Zablocki with Mr. Mills.
Mr. Flynt with Mr. Gubser.
Mr. Hanley with Mr. Cronin.
Mr. Riegle with Mr. Jones of Alabama.
Mr. Pepper with Mr. Patman.
Mr. Casey of Texas with Mr. McDade.
Mr. Clark with Mr. Minshall of Ohio.
Mr. Lehman with Mr. Moorhead of California.
Mr. Long of Louisiana with Mr. McEwen.
Mr. Milford with Mr. Powell of Ohio.
Mr. Shipley with Mr. Steiger of Wisconsin.
Mr. Sikes with Mr. Price of Illinois.
Mr. James V. Stanton, with Mr. Taylor of Missouri.
Mrs. Sullivan with Mr. Quillen.
Mr. Teague with Mr. Wiggins.
Mr. Udall with Mr. Roncallo of New York.
Mr. Meeds with Mr. Williams.
Mr. Landrum with Mr. Towell of Nevada.
Mr. Ullman with Mr. Ruth.
Mr. Badillo with Mr. Winn.
Mr. Snyder with Mr. Wydler.
Mr. Corman with Mr. Bowen.
Mr. de la Garza with Mr. Schneebeli.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. POAGE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

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

There was no objection.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Arrington, one of the clerks, announced that the Senate had passed with amendments in which the concurrence of the House is requested. A concurrent resolution of the House of the following title:

H. Con. Res. 475. Concurrent resolution providing for a conditional adjournment of the House from April 11 until April 22, 1974.

REREFERRAL OF H.R. 14221 TO COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

Mr. STAGGERS. Mr. Speaker, I ask unanimous consent that the Committee on Interstate and Foreign Commerce be discharged from the further consideration of the bill H.R. 14221 to provide for the review of increases promulgated by the Secretary of the Interior on November 1, 1973, in rates for electric power sold at five Bureau of Reclamation projects, and for other purposes and that the bill be rereferred to the Committee on Interior and Insular Affairs.

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

There was no objection.

DISASTER RELIEF ACT AMENDMENTS OF 1974

Mr. BLATNIK. Mr. Speaker, I ask unanimous consent for the immediate consideration in the House of the Senate bill (S. 3062) the Disaster Relief Act Amendments of 1974.

The Clerk read the title of the Senate bill.

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

Mr. MALLARY. Mr. Speaker, reserving the right to object, I would like to in-

quire of the gentleman from Minnesota. I understand, this bill is a totally new amendment that is being proposed by the Committee on Public Works, and that we do not have a report on it at the present time; is that correct?

Mr. BLATNIK. No; the Senate bill S. 3062 is a bill passed by the Senate yesterday afternoon. There were hearings held on it over many weeks, but it was accelerated very markedly after the severe tornadoes about a week ago. The gentleman raises a very pertinent point in view of the fact that we, ourselves, do not have sufficient time to study the proposals made by the Senate, although we are very familiar with the basic Disaster Act of 1970, and the implementation of the program. We also have language that the House might be interested in that we shall propose today by unanimous consent to substitute for the language of the Senate bill, a proposal which has been considered by the House Committee on Public Works and ordered reported yesterday, but yet not filed with the House. We would also propose to ask for a conference with the Senate.

Mr. MALLARY. Further reserving the right to object, may I inquire if the information I have about the House-proposed substitute is correct, that it makes the new program effective as of April 1, 1974?

Mr. BLATNIK. That is true. It is effective as of March 31, 1974.

Mr. MALLARY. Further reserving the right to object as I understand it, the Public Law 93–24 terminated any existing forgiveness clauses under disaster relief.

Therefore, as I understand it, if this were to pass in this way there would be no disaster relief provisions in the form of grants for the period April 20, 1973 to April 1, 1974. Is that correct?

Mr. BLATNIK. That is not quite correct. There is a loan program for that period, but without forgiveness. A grant program is proposed to be created as of March 31, 1974. I will explain this in greater detail if we get unanimous consent. Both sides will have time, and we will explain that further.

Mr. MALLARY. If the bill is taken up does the gentleman have information so that he can give me adequate information as to the situation in those States and those areas where there were disasters which occurred during that interim period? I am very aware that in the State of Vermont a disaster occurred in July 1973, and there were no grant programs. I would like to discuss the possibility of an amendment to make this retroactive. Under the terms under which we will be taking this up, will an amendment be in order?

Mr. BLATNIK. The amendment could be in order if we agree to it, and if it is at all possible to accommodate a legitimate case or category that may have been omitted inadvertently by our proposal, and once we get an opportunity to discuss the bill we may find it necessary. We would like to help wherever there is a justifiable need due to disaster or acts of God. However, we feel we have a program that will be workable.

Mr. MALLARY. Further reserving the right to object, do I have the assurance of the gentleman that an amendment to make this retroactive will be in order?

Mr. BLATNIK. I cannot give that assurance, not knowing the nature of the problem of the gentleman. Certainly he can raise his point and give an explanation, but I cannot give that assurance now.

Mr. MALLARY. Mr. Speaker, unless the chairman can give me the assurance that an amendment will be in order I will be constrained to object.

Mr. BLATNIK. The disaster relief will be quite broad and it will be the President who will determine whether there is a disaster or a serious emergency which requires assistance.

Mr. MALLARY. I am familiar with that. What I am asking is the assurance that an amendment with regard to retroactivity would be in order.

Mr. BLATNIK. I honestly in all fairness cannot say that it would be in order.

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

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

Mr. FLOWERS. Could I address this question to the gentleman, perhaps this is the problem he has. A major disaster struck in my district on May 29, 1973, in Alabama. I know we were covered under the April 20 law that was passed. I am concerned, as I gather the gentleman here is concerned, are there going to be some significant improvements as of April 1 this year and the people that are going to be left without the benefit of those improvements in the law are those that were damaged between April 20, 1973, and April 1 of 1974?

Mr. BLATNIK. Well, I cannot say, because I do not know what the amendment will be, and we cannot be committed to an undefined retroactive period.

Any law becomes more and more improved as we develop a fair understanding of its track record and find out where its effectiveness lies, where additional bolstering needs to be done.

Mr. FLOWERS. Mr. Speaker, will the gentleman yield further?

Mr. BLATNIK. I yield to the gentleman.

Mr. FLOWERS. I do not find any fault with improving disaster relief. I favor that, Mr. Speaker; but I do have some reservation, as does the gentleman here, that we are improving a condition that should have been improved a long time ago, but we are not taking care of people that were severely damaged in the preceding 12 months.

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

Mr. MALLARY. I will be glad to yield to the gentleman from Iowa.

Mr. GROSS. Is the bill to be handled, to be considered in the House as in the Committee of the Whole?

Mr. BLATNIK. If the gentleman will yield, it is proposed that this motion be considered in the House under a unanimous-consent request.

Mr. GROSS. As in the Committee of the Whole?

Mr. BLATNIK. In the House, not in the Committee of the Whole, but in the House of Representatives.

Mr. GROSS. And no amendment would be in order then?

Mr. BLATNIK. That is right.

Mr. GROSS. Then if the bill is approved, what takes place; do we go to conference with the other body?

Mr. BLATNIK. That is an excellent question. To protect the House point of view, we will ask that the House language be substituted in lieu of the Senate proposal. To protect the House and not accept the Senate proposal without adequate consideration, we will substitute the House language and let the conferees work their will and in the interim period of time get a better understanding of what the House wants.

Mr. GROSS. Then it is not proposed to button up this legislation tonight?

Mr. BLATNIK. No, sir; that is why we refused to make a blanket acceptance of the Senate proposal. We were trying not to be pushed into accepting S. 3062 sight unseen, a bill passed by the other body by a vote of 69 to zero. We recognize we have serious problems out in these destroyed areas, people hopeless and helpless and waiting on some action from the Federal Government.

We refused to act this way. We want to protect the legitimate rights of the House and the only amendment we can recommend at this time is to substitute the House language.

Mr. GROSS. If the other body does not accept this version, then nothing has been accomplished until after the Easter recess; is that correct?

Mr. BLATNIK. I would not want to speculate on what the other body will do. I think the extreme urgency and the need are so great, that I cannot anticipate the other body delaying action.

Mr. GROSS. The gentleman is saying that the other body will accept this version?

Mr. BLATNIK. This is speculating again. Knowing the urgency and the need, I cannot conceive of the other body refusing to go along with this procedure, so that the House can work its will and proceed with the conference report.

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

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

Mr. HARSHA. This is an amendment supported by the administration. They asked us late last night to accept the full Senate bill and vote it up or down.

I refused, along with the chairman, to ask the Members of this body to vote on something nobody has had an opportunity to review or look at or understand. As far as we would agree to go was the simple amendment which we took up in the committee. We debated it and amended it in a very minor form. We provided for a simple grant provision with 75 percent Federal aid and 25 percent State and local participation.

The other body wanted us to accept this in lieu of their total package. We will have to go to conference with them after the recess and during the confer-

ence we would have an opportunity to examine the full text of S. 3062 and determine what is in it and determine what parts of it we want to accept on behalf of the House and then we will bring back the conference report.

The administration opposed any extension of the retroactivity going back into areas where disasters had occurred because of the enormous costs involved. That was one reason, over the years, why we did away with the previous law which allowed a forgiveness clause. It was abused. Because of this we eliminated the forgiveness provision.

Mr. MALLARY. Mr. Speaker, further reserving the right to object, we are getting somewhat beyond the point and that is the question of retroactivity. Also, I am concerned with the question of equity of dealing differently with people before April 20, 1973, and then after April 1, 1974.

If I understand the gentleman correctly, he is suggesting that we go to conference on this bill and the Senate bill, both of which have an effective date of April 1, 1974.

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

Mr. MALLARY. Mr. Speaker, I yield to the gentleman from Minnesota.

Mr. BLATNIK. Mr. Speaker, the effective date of the Senate bill is April 1, 1974. The Senate bill does not have retroactive dates.

Mr. MALLARY. Mr. Speaker, do I have the assurance of the gentleman that there would be an attempt to make it retroactive to the period?

Mr. BLATNIK. Yes; my own personal feeling, and I think of Members who have had disasters of all types in all parts of the country—would be that where the need is clear and where inadvertently people have been left out from appropriate relief, an effort should be made to provide such relief.

Mr. BROWN of Ohio. Mr. Speaker, will the gentleman yield?

Mr. MALLARY. Mr. Speaker, I yield to the gentleman from Ohio.

Mr. BROWN of Ohio. Mr. Speaker, I had not intended to speak on this legislation out of respect for the other Members of the House in the hope that the legislation could be approved quickly and the conference could be arranged between the House and the Senate, so that there would be time for the members of the Committee on Public Works in the House and the Senate to resolve this issue.

Mr. Speaker, I can only say to the gentleman that I would entreat him and others in the House not to delay consideration of this legislation, in the interests of one community in my district and many communities elsewhere in the United States that are currently massively damaged by tornadoes that occurred just within the last week. I sympathize fully with the concern of the gentleman for his own district, having had the experience now in my district, and I would hope that there will be a possibility, given the consideration of the chairman and ranking minority member of the Committee on Public Works in the House, to work out something between the House and the Senate that will expand the retroactive nature of the programs that exist to take care of the problem of the gentleman from Vermont which apparently occurred a year ago.

However, to delay consideration of this, and thereby delay the possibility that we can resolve some of the problems that relate to that massive damage down in Xenia, Ohio, as one example, I would ask the gentleman, please, to withhold his objection and see if there is not some possibility that we can work out an expansion of programs or an understanding on the specific problem that the gentleman has, the nature of which I am not sure I understand.

Mr. MALLARY. Mr. Speaker, may I inquire of the gentleman from Ohio whether he would be favorably disposed toward attempting in conferences to obtain retroactivity to April 20, 1973?

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

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

Mr. HARSHA. Mr. Speaker, I will inform the gentleman that I will be more than happy, depending upon the differences between the two bills, to discuss or negotiate with the other body any provision for retroactivity that would endeavor to take care of the situation which the gentleman from Vermont, as well as the gentleman from Louisiana, describe.

I cannot tell the gentleman whether that flexibility is in the bill, but if it is there, certainly we will negotiate with them, as best we can, in order to try to take care of the situation which the gentleman raises.

Mr. MALLARY. Mr. Speaker, I have looked at the Senate bill, and perhaps the gentleman has also. The Senate bill establishes a date of April 1, 1974, as an effective date for section 408. It is a more comprehensive bill.

Mr. HARSHA. Mr. Speaker, will the gentleman yield further?

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

Mr. HARSHA. Mr. Speaker, I have not looked at it because it was not brought over here until just shortly after lunch. I have not had a chance to look at it.

If the flexibility is there, I can assure the gentleman that we will endeavor to negotiate with the other body to resolve this problem.

PARLIAMENTARY INQUIRY

Mr. MALLARY. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER. The gentleman will state his parliamentary inquiry.

Mr. MALLARY. Mr. Speaker, if a bill is brought up under a unanimous-consent request and considered in the House at this time, would any amendment be in order?

The SPEAKER. The Chair will state that since the gentleman is asking that it be considered in the House, the gentleman will then have control of the time.

Mr. MALLARY. Mr. Speaker, further reserving the right to object, presumably, then, the gentleman from Minnesota would have the time and would have control of the bill, and I am not sure whether he would yield for an amendment.

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

Mr. MALLARY. I yield to the gentleman from Minnesota.

Mr. BLATNIK. Mr. Speaker, under the pressure of the circumstances, with Members wanting to get home, we could have amendments offered all day long, but that is not the way legislation should be handled.

However, I will make this comment. On my own behalf and on behalf of the Members whom I can influence on—and I will ask for the comments of the extremely helpful minority leader—I will say that wherever possible, where the effective date can be made retroactive to include such thoroughly justifiable cases as the case mentioned by the gentleman from Alabama, we will attempt to deal with it even if we have to ask the Rules Committee for a waiver of points of order. We then could amend the bill in conference.

Mr. MALLARY. Mr. Speaker, I gather that the gentleman is telling me that he would not yield for an amendment.

Mr. BLATNIK. The gentleman is correct.

Mr. MALLARY. Mr. Speaker, I recognize the problem in Ohio. I would feel constrained to object if the gentleman would not yield for an amendment.

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

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

Mr. HARSHA. Mr. Speaker, the gentleman is saying that he is willing to go so far as to attempt to get a rule waiving points of order against the conference report. If that is done we can go outside the bill if we can get a rule waiving points of order.

That in effect tells us the gentleman is willing to go to these extremes to have this problem considered, and the method resolved.

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

Mr. MALLARY. I yield to the gentleman from Georgia.

Mr. BLACKBURN. Mr. Speaker, I appreciate the gentleman's yielding.

As I understand the responses to the questions from the floor here, it is fairly obvious that the Senate is not going to accept the House language sight unseen any more than we would accept the Senate language sight unseen.

That being the case, and as I read this language, I feel it is extremely vague in some of its meanings. I personally feel that the gentleman would be justified in objecting, and if he does not object, I will, in the interest of orderly legislative processes.

We are not going to get anything of substance passed until after the recess anyway, and if it is proposed to give the conferees a blank check to work out something between the House language and the Senate language, when the Members of neither body have examined this in depth, and since they have not

had the benefit of hearings or the benefit or an in-depth study of the language in either bill, I feel the gentleman is certainly justified in objecting, in the interest of preserving orderly processes.

Mr. HARSHA. Will the gentleman yield to me?

Mr. MALLARY. I am happy to yield to the gentleman.

Mr. HARSHA. We have had the benefit of hearings, I say to my friend from Georgia. We did study this amendment in the committee and in executive session, and it is a very simple amendment. This is all we are bringing to you now. This is not the total package that the Senate sent over here that we are bringing to you. It is one part of a many page bill. We will go to conference on our bill plus the bill from the other body. We have had the benefit of hearings. We have had the benefit of advice from the administration.

Mr. BLACKBURN. Will the gentleman yield?

Mr. MALLARY. I yield to the gentleman.

Mr. BLACKBURN. I appreciate the gentleman yielding.

I understand the observations about the committee having held hearings, but there is certainly no committee report before the Members of this body and there is no committee print or any facts before us as to the estimated amount of money involved.

The language states that the States will repay this money to the Federal Government when they are able to. I do not know when that will come about, but I think we are legislating here under extremely nebulous circumstances.

Mr. HARSHA. Will the gentleman yield?

Mr. MALLARY. I yield to the gentleman.

Mr. HARSHA. We have several States that have constitutional problems and prohibitions against anything that the State may wish to do to repay to the Federal Government without an act of the State legislature. That is why this is worded the way it is. We want to give the legislatures of the various States an opportunity to act so that the States can repay the Federal Government.

If we pass this bill, it goes to the other body. They can object to the bill and ask for a conference. If you do not want us to go to a conference, you can object to it at that time.

Mr. BLATNIK. Will the gentleman yield?

Mr. MALLARY. I yield to the gentleman from Minnesota.

Mr. BLATNIK. I appreciate the gentleman yielding, and let me say I also appreciate the questions raised by the gentleman from Vermont. They are thoroughly justified.

But do not forget the situation that we are in. We are faced with circumstances that are not of our own choosing or making. This legislation came to the House last night from the other body.

The only way we can protect the rights of the House and get further consideration of the matter is through the means we have proposed. Then, once we have this legislation, we can get together with the other body and see whether there is any modifying language that can be adopted or if there are any other proposals that would be made by them or by us which can be agreed to.

The important thing is, if an objection is raised now, then the Federal Disaster Assistance Administration will be literally helpless to act except under the limitations which exist under present law. They will be unable to do anything else while we are away on our recess. It will be almost 2 weeks before we can do anything further in this matter.

In the meantime, as the gentleman has said, once we do this and we put the House version of the legislation into the running and put it on an equal footing with the version of the other body, the agency will then know that there will be something they can anticipate will be enacted into law and take the necessary preliminary steps to implement it. They can get underway tomorrow morning if we pass this measure today.

Mr. MALLARY. Mr. Speaker, I regret taking the time of the House on this matter, but it is a very important item. I do not think we are properly preserving the rights of the House to bring this matter up under such a procedure where we do not have an opportunity to consider it carefully, and amend it.

In view of the situation, however, since this disaster has recently occurred and with the assurances I have from the chairman of the committee as to his view on the matter with regard to retroactivity, and in view of the very serious situation that exists and the inequities which would be created if this is not permitted to be considered I will accept his assurance and withdraw my objection.

Mr. BLATNIK. I appreciate the gentleman's statement. It is most understanding.

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

Mr. FLOWERS. Mr. Speaker, reserving the right to object, and I do not want to object, the chairman raises a most perplexing proposition here when he says the Senate might accept the House's amendment.

If the Senate accepts the House amendment then there is no conference, no anything, and even though the House confers the House does not get another bite at it.

Mr. BLATNIK. We will name conferees today, and the instructions will be to uphold the position of the House, and to investigate with deepest scrutiny the Senate version of the bill and compare it with the House version of the bill. The House will have its full say at the conference table before final determination is made on this disaster legislation.

Mr. HARSHA. Mr. Speaker, if the gentleman will yield, the Senate-passed bill contains 102 pages. The amendment we are talking about addresses itself to only one section of that bill, section 408.

Mr. FLOWERS. But by accepting this amendment we are foreclosed from having a chance to amend any part of the Senate bill.

Mr. HARSHA. I am sorry, but I cannot hear the gentleman.

Mr. FLOWERS. I say that by accepting this amendment the House is foreclosed from having a chance to amend any part of the Senate bill.

Mr. HARSHA. If the gentleman will yield further, the answer is no. We strike out everything after the enacting clause in the Senate bill. Thus, everything in the Senate bill plus what we have in our bill will be in conference.

Do not leave me with the impression that the Senate will accept one little amendment in lieu of a 102-page bill.

Mr. FLOWERS. I was replying to what the gentleman from Minnesota (Mr. BLATNIK) said.

I do not believe they will, either.

Mr. HARSHA. No.

Mr. FLOWERS. But the House will have no chance to work its will on the Senate bill except through the conference.

Mr. HARSHA. That is correct.

Mr. FLOWERS. We have got April 1, 1974, in the House and Senate versions as well.

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

Mr. FLOWERS. I will yield to the gentleman from Georgia.

Mr. BLACKBURN. Mr. Speaker, I appreciate the gentleman from Alabama yielding.

I would like to ask the gentleman if he is aware that under existing law, in the absence of this proposal, there is available assistance in the form of temporary housing; home, business and personal property loans; emergency loans to farmers, ranchers, and oyster planters; food commodities or food stamps; disaster-related unemployment compensation, and/or employment assistance; legal aid for disaster-related problems; clothing, food, first aid, personal, and family assistance; debris removal from private property; and repair and restoration of public facilities.

These are all programs that are available under existing law.

Is the gentleman prepared to answer the question, "Why is this disaster so different from the one that happened in my own district last year that it needs this special legislation?"

Mr. FLOWERS. That is the point I am making.

As far as the recent disasters are concerned, my heart is warm toward helping them, but they have the same legislation that has been in effect since April 20, 1973, but we have had other intervening events between that date and April 1, 1974.

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

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

Mr. HARSHA. The gentleman from Georgia has asked a question, and I would like to answer the gentleman's question.

The answer is that it is necessary to provide assistance to those people who cannot be made whole with Small Business Administration loans, or FHA loans, or some of the other provisions which are available under the existing law.

This is for people who cannot qualify to get those loans under the present legal system.

Mr. BLACKBURN. Mr. Speaker, will the gentleman yield further?

Mr. FLOWERS. I yield to the gentleman from Georgia.

Mr. BLACKBURN. Mr. Speaker, I appreciate the gentleman from Alabama yielding further to me because I would like to address a further question.

Is the gentleman from Ohio saying that some people cannot apply for a loan under the Small Business Administration disaster relief law?

Mr. HARSHA. Some people cannot get them.

Mr. BLACKBURN. Am I to understand that this present program could become effective in the next 10 days if we pass this? That there would be this possibility in 10 days? Let me suggest that if we pass this bill, it will be 6 or 8 weeks before anything substantial can be done for the people who need relief. Meanwhile, we will have made a complete mockery of the legislative process.

Mr. HARSHA. We cannot assure that we can get action in the next 10 days, because we will be in recess, and there is much work to do. We will have to come back after the recess and go into conference with the Senate. It is hard to say how long that conference will take. We have to work it out, and then come back before both bodies of the Congress. Then it has to go to the administration, where rules and regulations will have to be worked out. It will take some time.

The people who are victims of the tornadoes have to have help. I am trying to point out to the gentleman that they cannot get it under existing law.

Mr. FLOWERS. Does the gentleman have the same compassion for the people who were damaged last May as the gentleman does for the people who were damaged this April?

Does the gentleman feel the same way toward the people who were damaged last May?

Mr. BLATNIK. If the gentleman will yield, the gentleman asked if the House and some of its Members have the same compassion for those victims of disaster of a year ago in Alabama as we do for those victims of the recent disaster?

Mr. FLOWERS. That is my question.

Mr. BLATNIK. I say absolutely, and if a way is open to us, we will do everything possible to help your people.

Mr. FLOWERS. I will say to the gentleman from Ohio the way he can do so is by making the same law that will be applied to the people who were damaged on April 3 or April 4 or April 5, 1974, apply to the people who were damaged on May 29, 1973.

Mr. BLATNIK. I commit myself. I will exert every effort to do so and will strongly urge all House conferees on both sides to do so.

Mr. FLOWERS. Does the gentleman from Ohio make the same commitment?

Mr. HARSHA. I do not know. If the gentleman will repeat it, I will be glad to respond.

Mr. FLOWERS. The commitment from the gentleman from Minnesota was that he would make every effort on his part to assure that those who were damaged by major disasters in May 1973, would have the same rights under the law as those who were damaged in April 1974.

Mr. HARSHA. I will assure the gentleman I will do everything I can, if it is at all possible, for those damaged in May or June of 1973.

Mr. FLOWERS. I regard the gentleman from Minnesota and the gentleman from Ohio as honorable men. I am confident they will do what they can.

I will make this statement as I withdraw my reservation of objection. If this is not done. I am going to make so much noise on the floor of this House that the Members will think a tornado is coming through the Capitol of the United States.

Mr. CRANE. Mr. Speaker, reserving the right to object, I should like to direct a question, if I may, to the gentleman from Ohio. As I understand what he said, the committee is not going to go into conference until after the recess; is that correct?

Mr. HARSHA. That is correct.

Mr. CRANE. Which means then there is no particular haste in getting this through today; we could reserve a day immediately after the recess, and appropriate time for discussion and consideration by this body, and the worst that could possibly take place is a 1-day delay in going into conference and considering it; is that not right?

Mr. HARSHA. No; that is not correct. In the meantime, the parameters of the legislation will be drawn. The administration will know how far it has to go in any event.

Mr. CRANE. I want to ask another question. When the gentleman talks about parameters of legislation being drawn, my understanding was in earlier discussion that these were the parameters contained here in the House version.

Mr. HARSHA. Apparently the gentleman did not listen well because we are going to conference with the Senate on the bill, which is a 102-page bill and has a lot of substantive amendments to the existing act. We have to consider those along with this amendment that the House is bringing before the Members today. Within those parameters the administration will know what they have to contend with, and they can begin drawing their rules and regulations and making preparation for them. In the meantime, our staff can be digesting the Senate bill, can be telling us what is in it, and we can be ready to go to conference immediately upon returning. If we have to wait until after we return, then all of that time will be lost.

Mr. CRANE. Let me ask another question. This is just an amendment to the 102-page bill; is that correct?

Mr. HARSHA. That is correct.

Mr. CRANE. Is there going to be a House equivalent of that 102-page bill?

Mr. HARSHA. There is not.

Mr. CRANE. There is not. In other words, the gentleman is accepting the Senate bill, and as to the amendment from the House, that will be reconciled in conference?

Mr. HARSHA. No, we are not accepting the Senate bill at all. We are striking everything in the Senate bill after the enacting clause and substituting that amendment.

Mr. DON H. CLAUSEN. Mr. Speaker, the last 10 days have seen many areas of our Nation ravaged by terrible tornados. Hundreds of lives; thousands of homes; schools, public and private; colleges; churches; and an untold number of businesses have been utterly destroyed. The lives of tens of thousands of people have been dramatically and sadly changed by the devastating storms.

Those of us who have seen the impact of these storms know that the victims are determined to put their lives back together and rebuild whole towns. The determination of these people is something that is truly wonderful to behold. They have the will, they will provide the labor, but it is up to us in the Congress to recognize we are going to have to help with money and resources.

Congress in the past has been magnanimous in recognizing that the Nation as a whole must share the risks of disasters and that the Congress, therefore, should provide disaster relief assistance as we did. This help in the form of the various disaster relief acts and amendments has helped thousands of our citizens and has been most effective. The bill that we have before us today will continue and build upon the basic program and mechanism established in the Disaster Relief Act of 1970, Public Law 91–606, which the Committee on Public Works brought to the House.

It has been the opinion of the committee that the 1970 bill basically has been very effective and that it needs only minor modifications. It was the intent of the Committee on Public Works to review thoroughly the Disaster Relief Act and determine what modifications were required. Now, there is a sense of urgency for the House to take immediate action because of the major disasters which have occurred within the last 10 days. Because of these disasters, it is now our intent to expedite the legislative program, and this is what we are doing today. The approach we have taken will result in the best possible legislation in as short as possible a time. I urge you to vote with the committee and approve H.R. 7690 as amended.

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

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

Mr. GROSS. I thank the gentleman for yielding.

Let me ask the gentleman from Ohio what is the effective date in the Senate?

Mr. HARSHA. I do not know. I have not read it, and that is why I cannot answer the question.

Mr. GROSS. Does the gentleman from Minnesota know the effective date in the Senate bill? What is the effective date in the Senate bill?

Mr. BLATNIK. April 1, 1974.

Mr. GROSS. The version we have here is March 31. Is that the date in the Senate bill?

Mr. BLATNIK. April 1 is the date in the Senate bill.

Mr. GROSS. April 1 in the Senate bill and March 31 in the House bill, is that correct?

Mr. BLATNIK. As the bills are now, yes.

Mr. GROSS. I thank the gentleman.

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

There was no objection.

AMENDMENT OFFERED BY MR. BLATNIK

Mr. BLATNIK. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BLATNIK: Strike out everything after the enacting clause of S. 3062 and insert in lieu thereof the following:

"That this Act may be cited as the 'Disaster Relief Act Amendments of 1974.'

"SEC. 2. Title II of the Disaster Relief Act of 1970 is amended by adding at the end thereof the following new section:

" 'INDIVIDUAL AND FAMILY GRANT PROGRAMS

" 'SEC. 256. (a) The President is authorized to make a grant to a State for the purpose of such State making grants to meet extraordinary disaster-related expenses or needs of individuals or families adversely affected by a major disaster in those cases where assistance under other provisions of this Act, or from other means, is insufficient to allow such individuals or families to meet such expenses or needs. The Governor of a State shall administer the grant program authorized by this section.

" '(b) The Federal share of a grant to an individual or a family under this section shall be equal to 75 per centum of the actual cost of meeting such an extraordinary expense or need and shall be made only on condition that the remaining 25 per centum of such cost is paid to such individual or family from funds made available by a State or a political subdivision of a State. Where a State or a political subdivision is unable immediately to pay its share, the President is authorized to advance to such State such 25 per centum share, and any such advance is to be repaid to the United States when such State or political subdivision is able to do so. No individual and no family shall receive any grant or grants under this section aggregating more than $5,000 with respect to any one major disaster.

" '(c) The President shall promulgate regulations to carry out this section and such regulations shall include national criteria, standards, and procedures for the determination of eligibility for grants and the administration of grants made under this section.

" '(d) A State may expend not to exceed 3 per centum of any grant made by the President to it under subsection (a) of this section for expenses of administering grants to individuals and families under this section.

" '(e) This section shall take effect as of March 31, 1974."

"SEC. 3. Section 102(1) of the Disaster Relief Act of 1970 is amended by inserting immediately after 'earthquake,' the following: 'mud slide,'.

Mr. JONES of Alabama. Mr. Speaker, I rise in support of the amendment offered by the distinguished gentleman from Minnesota (Mr. BLATNIK).

I believe that what the gentleman proposes is the most expeditious method of getting a bill enacted which can assist the people affected by the disasters of last week.

I believe the committee is acting reasonably—with haste, and yet not recklessly. It would be simple to ask the House to accept the bill passed by the Senate yesterday. It would undoubtedly be a very popular thing to do. However, as the gentleman has made abundantly clear, our committee has not had the opportunity to examine the Senate proposal. Accepting the amendment will give the conferees a chance to examine in great depth the Senate proposals—accept those which are good, amend those which need modification, and reject those which are not acceptable.

Last week, 11 States in the South and Midwest were hit by a series of tornadoes in the Nation's worst tornado disaster in 49 years. The known death toll from these tornadoes is over 300 and over $500 million in property damage was done. In my own State of Alabama 81 people were killed and 838 injured, close to 900 dwellings were destroyed and another 900 sustained major damage. Over half of these deaths and over a third of the injuries occurred in my district alone.

To assist the victims of disasters such as this, the Congress enacted the Disaster Relief Act of 1970 which provides a wide range of assistance to individuals and communities in their efforts to recover from the damages caused by a major disaster. The program authorized by that act has been an effective one. However, as has been pointed out here on the floor today, there are gaps in this program which need to be filled. The disasters of last week have made this particularly important.

I urge adoption of the amendment.

The SPEAKER. The question is on the amendment offered by the gentleman from Minnesota (Mr. BLATNIK).

The amendment was agreed to.

Mr. BLATNIK. Mr. Speaker, prior to 1970 each major disaster usually resulted in disaster relief legislation being passed, with that legislation designed to deal with the specific problems raised by the disaster which engendered it. In 1970, we determined that a total rewrite of the Federal disaster relief program was called for, one which would apply to all major disasters and provide adequate assistance for all of the problems associated with major disasters. This led to the Disaster Relief Act of 1970. The existing disaster relief program established by this act provides for a comprehensive approach to assist the States and local governments in the rendering of aid, assistance, and emergency welfare services, and the reconstruction and rehabilitation of devastated areas. This program provides a broad spectrum of relief and assistance for persons suffering injury or loss as a result of a major disaster such as those which occurred as a result of the tornadoes. Assistance is available in the form of:

Temporary housing;

Home, business, and personal property loans;

Emergency loans to farmers, ranchers, and oyster planters;

Food commodities or food stamps;

Disaster-related unemployment compensation and/or employment assistance;

Legal aid for disaster-related problems;

Clothing, food, first aid, personal and family assistance;

Debris removal from private property; and

Repair and restoration of public facilities.

These provisions offer substantial assistance to individuals and communities in their efforts to recover from the damages caused by a major disaster.

Last year the administration sent to the Congress proposed new disaster legislation. This legislation would completely revamp the disaster program. Mr. Chairman, we held hearings on the administration proposal and considered it carefully. We concluded that the 1970 act is good law and has worked very well since its enactment. There is one major area of relief, however, which is no longer available under the disaster relief program, and the restoration of which is extremely important in light of the recent tornado-caused disasters. This is the provision of assistance in the case of disaster-caused expenses or needs which are not adequately covered under other forms of assistance such as Small Business Administration or Farmers Home Administration disaster loans.

In the 1970 Disaster Relief Act this assistance was provided in the form of partial forgiveness of Small Business and Farmers Home loans. The amount of forgiveness was that part of the loan over $500, but not to exceed $2,500. In the years since then, these provisions have been amended by other laws in various forms, with the net result now being that there are no forgiveness, or similar, provisions in the law. This is a major gap in the law which must be corrected, especially in view of the tragic losses suffered in last week's tornado disasters. The legislation which our Public Works Committee ordered reported, and which I offer as an amendment to the Senate passed bill, is designed to fill that gap.

It authorizes the President to make a grant to a State for the purpose of that State making grants to individuals or families to meet their extraordinary disaster related expenses or needs where assistance under the Disaster Relief Act of 1970 is needed. This grant program is to be administered by the Governor of the State. The Federal share of these grants is 75 percent. The committee recognizes that the States likely do not have an existing program for administering and sharing in these grants. The legislation accordingly provides that where a State or political subdivision is unable to immediately pay its share, the President is authorized to advance the 25-percent share, to be repaid to the United States when the State or political subdivision is able to do so.

The legislation also contains a clarifying amendment which adds mudslides to the catastrophies which qualify as major disasters.

Mr. Speaker, yesterday the Senate passed a rewrite of the 1970 Disaster Act after the Public Works Committee marked it up the day before. I am sure there are many valuable provisions in their bill, but we simply have not had sufficient time to examine and evaluate it. Ordinarily, of course, we would consider the Senate passed bill in committee and report it to the House with those

amendments we considered necessary. However, with last week's disasters, it is important that we move as quickly as possible to pass legislation to provide adequate relief for the victims of these disasters. With this in mind, our Committee on Public Works feels that the most expeditious way of getting legislation passed is to pass the amendment which we offer and which we have had a chance to consider, in order that we may go to conference with the Senate and give proper and needed consideration to the provisions of the Senate bill. In this way, we will be in a position to go to conference immediately after the upcoming recess and come up with a good piece of legislation which we believe will meet the needs of last week's and future disasters. During the interim period, the 1970 act will continue to be effective, and relief for the victims of this latest disaster need not be delayed. Mr. Chairman, I urge adoption of the amendment.

Mr. CLANCY. Mr. Speaker, the action taken by the House Public Works Committee and the entire House today is in my opinion a most expeditious manner in which we can eventually adopt measures providing for the necessary disaster relief that so many of us are needing in our various districts because of the severe damage done by the recent tornadoes.

I join with my colleagues in hoping that the best possible piece of legislation can be approved which will afford the relief that is so necessary because of the great devastation that has been caused, not only in my district, but throughout many districts and States. I hope that this can be handled expeditiously, and that the conference committee will report as quickly as possible.

I intend to make every effort to see that this is done.

Mr. ROUSH. Mr. Speaker, I would like to commend the Members of this House and of the Senate for their prompt action in dealing with legislation which if enacted should greatly reduce some of the problems we have encountered in getting emergency aid to disaster victims when they need it the most—which is right after the disaster.

As you know, my own district in Indiana was hard hit by the tornadoes of April 3, and many of the weaknesses in the 1970 Disaster Relief Act became apparent to me personally as I sought to get the help the people of my district needed.

I feel that the conferees should be able to come up with a bill which will provide swifter and more meaningful relief for disaster victims in the future.

I am particularly pleased that both Houses have seen fit to establish a retroactive date for this legislation so that the tornado victims in Indiana, as well as in the several other States, may share in the improved benefits contained here.

Mr. Speaker, this action today is to me proof that this Congress can, and will, respond to the public need quickly, effectively, and meaningfully. I urge the conferees to move with equal rapidity in order that this much needed proposed legislation might be enacted into law.

This legislation will help the people of my district in Indiana and in the other tornado areas. I have every confidence that once enacted the President will sign the bill into law as quickly as possible.

The SPEAKER. The question is on the passage of the bill.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. BLATNIK. Mr. Speaker, I made some rather disorganized introductory statements and I ask unanimous consent that I may revise and extend my remarks introducing the bill and explaining the procedure.

Mr. Speaker, I further ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill (S. 3062) just passed.

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

There was no objection.

APPOINTMENT OF CONFEREES ON S. 3062, DISASTER RELIEF ACT AMENDMENTS OF 1974

Mr. BLATNIK. Mr. Speaker, I ask unanimous consent that the House insist on its amendment to the bill (S. 3062) entitled the "Disaster Relief Act Amendments of 1974," and request a conference with the Senate thereon.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota? The Chair hears none, and appoints the following conferees: Messrs. JONES of Alabama, ROBERTS, JOHNSON of California, HARSHA, and SNYDER.

PERSONAL EXPLANATION

Mr. ROBERT W. DANIEL, JR. Mr. Speaker, on the last recorded vote I voted in the affirmative and the electronic device failed to register this in the machine.

APOLOGY TO STUDENTS OF WESTERN MICHIGAN UNIVERSITY

(Mr. VANDER VEEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. VANDER VEEN. Mr. Speaker, I want to take this opportunity to publicly express my apology to the students and faculty of Western Michigan University who were expecting me to speak to them this evening. The press of House business forces my default on their kind invitation.

PROVIDING FOR ADJOURNMENT OF CONGRESS FROM APRIL 11, 1974, UNTIL APRIL 22, 1974

The SPEAKER laid before the House the concurrent resolution (H. Con. Res. 475) providing for a conditional adjournment of the House from April 11 until April 22, 1974, with the Senate amendments thereto.

The Clerk read the title of the concurrent resolution.

The Clerk read the Senate amendments, as follows:

Page 1, strike out line 2 and insert: "when the two Houses adjourn on Thursday, April 11, 1974, they stand".

Page 1, line 4, strike out "its Members" and insert: "their respective Members".

Page 1, strike out lines 7 to 13, inclusive, and insert:

"SEC. 2. The Speaker of the House of Representatives and the President pro tempore of the Senate shall notify the Members of the House and Senate, respectively, to reassemble whenever, in their opinion, the public interest shall warrant it, or whenever the majority leader of the Senate and the majority leader of the House, acting jointly, or the minority leader of the Senate and the minority leader of the House, acting jointly, file a written request with the Secretary of the Senate and the Clerk of the House that the Congress reassemble for the consideration of legislation."

Amend the title so as to read: "Concurrent resolution providing for a conditional adjournment of the House and Senate from April 11 until April 22, 1974."

The Senate amendments were concurred in.

The concurrent resolution, as amended, was agreed to.

A motion to reconsider was laid on the table.

LEGISLATIVE PROGRAM

(Mr. RHODES asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RHODES. Mr. Speaker, I take this time to request the acting majority leader (Mr. MCFALL) whether he can inform the House as to the program for the week following the adjournment of the House for Easter.

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

Mr. RHODES. Mr. Speaker, I yield to the gentleman from California.

Mr. MCFALL. Mr. Speaker, I shall be glad to answer the question of the distinguished minority leader.

On Monday, April 22, 1974, we have District Day. There are no bills.

On Tuesday, we have H.R. 13919, Atomic Energy Commission authorization, with an open rule, 1 hour of debate. Then, we have H.R. 12799, Arms Control and Disarmament Act amendment, with an open rule and 1 hour of debate.

On Wednesday, we have S. 628, surviving spouse civil service retirement annuities, with an open rule and 1 hour of debate. Following that, we have H.R. 11321, Public Safety Officers Benefits Act, subject to a rule being granted.

For Thursday and the balance of the week, we have H.R. 13999, National Science Foundation authorization, subject to a rule being granted. Then, we have H.R. 13998, NASA authorization, subject to a rule being granted. Finally, we have H.R. 11989, Fire Prevention and Control Act, with an open rule and 1 hour of debate.

Conference reports may be brought up at any time, and any further program will be announced later.

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

Mr. RHODES. Mr. Speaker, I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Speaker, does this mean that there will be no business on Monday, whatever the date may be, following this recess?

Mr. McFALL. Mr. Speaker, if the gentleman will yield, the date is April 22. The schedule shows that this is District Day and there will be no bills on that day.

Mr. GROSS. So, the House can simply meet and adjourn. Would a short or a long quorum call be in order that day; either one or both?

Mr. McFALL. Mr. Speaker, I would think there would be time, if the gentleman would appear to make that point of order, there would be time for a long quorum call.

Mr. GROSS. Mr. Speaker, I thank the gentleman. He is very helpful.

A USEFUL MEMORIAL

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

Mr. VAN DEERLIN. Mr. Speaker, 11 years ago this week, Americans were mourning the loss of 129 Navy men who died aboard the nuclear submarine *Thresher* in the North Atlantic.

No final determination has been agreed upon as to what caused the *Thresher*'s sinking. But the Navy has moved to provide better advance training for submarine crews, hoping to reduce the likelihood of future disasters.

Yesterday, at the Submarine School in Groton, Conn., a new training facility was dedicated as a memorial to the *Thresher*'s leading chief reactor technician. He was a black enlisted man, CPO Roscoe C. Pennington of San Diego, Calif.

Particularly impressive were dedicatory remarks by the *Thresher*'s first commanding officer, Rear Adm. Dean L. Axene. They touched on his recollection of the highly qualified men who went down with the *Thresher*—and were directed, in part, to Chief Pennington's 17-year-old son Gregory, who occupied a place on the platform.

Admiral Axene's speech follows:

REMARKS BY REAR ADMIRAL DEAN L. AXENE

Captain Vahsen, Mr. Pennington, Congressman VanDeerlin, Admiral Early, Officers and Men of the Submarine Force present, ladies and gentlemen.

When it was suggested to me, nearly a year ago by Captain Vahsen, that I be the principal speaker at the dedication of this new building, I accepted gladly and unhesitatingly. I am personally pleased and gratified to be able to fulfill this responsibility on behalf of a shipmate.

Nevertheless, as the months have rolled by and this day has approached, I have had some feelings of hesitation. Many memories have been crowded back into my conscious thought—bittersweet memories—memories for which I am deeply grateful—memories that are good—but bittersweet memories nonetheless.

I don't propose to recount the facts in the life of Thresher, nor the facts in the life of Chief Pennington—a Thresher stalwart, and the man for whom this building is named. However, there are some key points and some parallels which I believe it well that we consider.

Chief Pennington and I had much in common. We were born within a year of each other. We entered active service in the Navy within a year of each other. We both started out in conventional submarines, fighting World War II in the Pacific. We both were early converts to nuclear propulsion. And of course, we were shipmates during the final stages of construction of Thresher, through her builders' trials and commissioning, and through her extended period of shakedown operations. These lasted about one year and covered a wide range of activities intended to evaluate the effectiveness of this lead ship of a new class of attack submarines.

As I have said, Chief Pennington was a stalwart in this new ship. Not only was he the leading nuclear reactor technician, but he was also a natural and easy leader. This is reflected in the fact that he had risen to Chief Petty Officer, but that tells only the official side of the story. Chief Pennington was a Chief Petty Officer in fact. He was one of those rare individuals to whom others eagerly look for guidance, for leadership, for example. And, at a time I might add, when we were paying a lot less attention to the place of minorities in the scheme of things than we are today. Yes, Chief Pennington was a fine technician, a fine scholar, and an altogether fine man. A shipmate in the very finest sense of the word.

I would like to say a word or two to you, Gregory. I hardly know you personally, but I have read a great deal about you, and if even only partially true, you are indeed a man of whom your Dad would be very proud. A scholar, an athlete, a leader; Gregory seems to me to embody those qualities which made Chief Pennington great. I'm confident that he, too, will achieve positions of responsibility, and wherever they may be, also render great service to our country. It is a distinct honor to have you, Gregory, and your mother, present for this ceremony today.

Thresher was an advanced design submarine. Virtually every new concept she embodied has taken root and is to be found in our modern submarine force today. As so often happens, however; many people paid heavy personal prices to advance the technology she presaged. Some, as in the case of Chief Pennington, paid the ultimate price, that of life itself. Somehow, I have to believe that he, and those others like him who were lost in Thresher, 11 years ago today, paid that price willingly.

Pennington Hall, as you all know, is a building which houses eight submarine ship control training devices. These devices are permitting our young submariners today to learn the principles of handling their ships, without the costs involved in putting actual ships to sea, and without the dangers which are inherent in our business.

It seems to me altogether fitting that this building be named for a man like Chief Pennington.

When Thresher was lost, then-President John F. Kennedy said: "The future of our country will always be sure when there are men such as these to give their lives to preserve it." He must surely have been thinking of men like Roscoe Cleveland Pennington.

Thank you.

IMPACT AID A "GRAVY TRAIN"

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

Mr. HUBER. Mr. Speaker, in the course of the floor debate on amendments to H.R. 69 on March 27, 1974, our distinguished colleague, the gentleman from Iowa (Mr. GROSS) during the discussion of impact aid stated:

As I understand it, there is a school district at a base in Missouri that has been closed for years, and impacted school aid is still being handed out.

Mr. Speaker, Camp Crowder, located in Newton County, Mo., a major Army Signal Corps installation during World War II, reactivated in 1951, raised to a status of a fort in 1954, and deactivated in 1958, was finally licensed by the Defense Department to the State of Missouri for 25 years beginning with 1967. Currently apart from serving as a weekend training ground for the Missouri National Guard, the fort on its 3,400 acres features the State-operated Crowder Junior College with some 630 students and 47 faculty members, a plumbing and electrical maintenance school, an area vocation technical school, as well as a training center for retarded children. Despite its exclusive use for local and State purposes, Fort Crowder remains still a Federal property thus technically giving rise to impact aid claims by the Neosho Reorganized School District R–5 as well as seven other school districts in Newton and Jasper Counties educating children of parents employed on the fort grounds, even though their employment is completely unrelated to either national defense of other Federal activities.

In fiscal year 1972, eight school districts, four in Newton County and four in Jasper County, were educating, according to the U.S. Office of Education, 545 federally connected pupils, some of these children of 254 military personnel and Federal civilian employees residing in these two counties, the balance being the children of the Crowder College faculty or persons employed by the other educational institutions, or perhaps children of Missouri National Guardsmen who "by chance" were training at Fort Crowder at the time the first annual—mandatory—membership survey to determine the Federal connection was taken in the fall of 1971.

Mr. Chairman, impact-aid law specifically excludes school districts where federally connected pupils make less than 3 percent of the total school membership. Six of the school districts within the commuting distance of Fort Crowder had less than 3 percent of their total average daily attendance made of federally connected pupils—see table. I wonder what "exceptional circumstances" prompted the Commissioner of Education to waive the 3-percent rule?

The above facts speak for themselves. The gentleman from Iowa (Mr. GROSS) referred to impact aid as the "gravy train."

I fully concur.

IMPACT AID—NEWTON AND JASPER COUNTIES, MO.

[Abbreviations: SDR—School District Reorganized; ADA—Average Daily Attendance (92 percent of ADM); ADM—Average Daily Membership]

County and school district	Impact aid payments in dollars					1971–72 impact aid ADA pupils		1972 total school ADA	1972 impact aid ADA in percent of total ADA	Federal personnel [1] military and civilian Dec. 31, 1971
	1967–68	1968–69	1969–70	1970–71	1971–72 (est.)	"A"	"B"			
Newton:										
Neosho SDR–5	106,404	89,586	59,039	49,203	27,681		197	3,240	6.08	
Diamond SDR–4	5,499	4,590	4,293	2,878	3,353	4	14	730	2.46	
Seneca R–7, SD	8,952	3,199	9,814	6,893	5,620		40	1,310	3.05	
East Newton SDR–6	10,870	6,955	9,047	4,851	2,388		34	1,450	2.34	
Total	131,725	104,330	82,193	63,825	39,042	4	285			49 Fed. civ., 26 mil.
Jasper:										
Carl Junction SDR–1	7,033	8,207	5,974	3,957	2,318		33	1,387	2.38	
Webb City SDR–6	12,533	14,745	10,780	8,425	3,231		46	2,500	1.84	
Joplin SD of VIII			38,154	28,887	17,705		126	9,467	1.33	
Carthage SDR–9			12,858	12,383	3,583		51	3,283	1.55	
Total	19,566	22,952	67,766	53,652	26,837		256			134 Fed. civ., 45 mil.
Total both counties	151,291	127,282	149,959	117,477	65,879	4	541			183 Fed. civ., 71 mil.

[1] Postal Service employees excluded.

Sources: Impact aid payments—HEW/OE, Administration of Public Law –874; Annual reports by the Commissioner of Education; Reports: 18th, 19th, 20th, 21st, 22d, impact aid ADA pupils—HEW/OE, Computer Read-outs for Fiscal 1969 and 1972; total school ADA—HEW/OE, Education directory 1972–73. Public school systems; Federal civilian personnel—U.S. Civil Service Commission, Federal Civilian Employment by Geographic Area, Dec. 31, 1971; Military personnel—U.S. Bureau of the Census, County and City Data Book—1972.

CAMPAIGN SPENDING REFORM: AN URGENT NEED

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

Mr. ADAMS. Mr. Speaker, in the early 19th century, President Andrew Jackson popularized a system of favoritism toward one's political friends and cronies which came to be known as the spoils system. Under that practice, government jobs were handed out—lock, stock, and barrel—to persons who had aided the candidate in obtaining public office. In return, government workers often were called upon to contribute a percentage of their salaries toward the reelection of public officials or the maintenance of the power of the political party.

Today, 150 years later, the spoils system of Andrew Jackson's day has almost disappeared. But in its place we have a far more damaging, and devious, spoils system arising from the influence of campaign contributions on candidates for public office. This newer phenomenon, rather than resulting in a few political cronies in public jobs, corrupts the entire political and governmental process. It leads to situations in which those public officials who lack integrity and conviction decide public policy with an eye toward the costs and benefits of private, not public, interests. Carried to its extreme, it results in kickbacks, malfeasance, fraud, graft, and other forms of corruption.

The results of this newer kind of spoils system are not only events like those known as the Watergate scandals but a more threatening undermining of our democratic system of government. It is, sadly, no understatement to say that the American form of government has been sorely compromised, if not corrupted, by the current system of private financing of political campaigns.

It has been said that:

The need for collecting large campaign funds would vanish if Congress provided an appropriation for the proper and legitimate expenses of each of the great national parties. . . . Then no party receiving campaign funds from the treasury should accept more than a fixed amount from any individual subscriber or donor. . . .

This statement, far from being a recent declaration by a radical reformer, was made in 1907 by President Theodore Roosevelt. It rings just as true, if not truer, 67 years later.

EFFECTIVE CAMPAIGN SPENDING LEGISLATION

Mr. Speaker, in order to restore honesty and accountability to our democratic system and eliminate the otherwise inevitable dependence by candidates for public office on large contributors, the Congress must, this session, enact strict and effective campaign spending laws. Any such legislation, to counteract an increasingly cynical view by the public toward Government, must include the following:

Full and complete disclosure of contributions and expenditures.

Strict limits on contributions, including in-kind services and cash contributions.

Effective limits on expenditures, including restrictions on expenditures by a candidate and his family.

Aggressive administration and enforcement of campaign finance laws, including subpoena power and deposition authority by the enforcing agency and civil and criminal penalties.

Effective regulation of political committees and other organizations which collect or distribute funds.

A public financing formula for Federal campaigns, possibly through the matching of small private contributions by a $1 or $2 tax "check-off".

Mr. Speaker and Members of the House, someone has to pay the costs of political campaigns. The choice is between large givers with special interests and small contributions matched by $1 or $2 per person per year of public moneys. In my view it is time that public office be supported in part by public moneys and special interests be removed from determining public policy.

GOVERNMENT OPERATIONS SUBCOMMITTEE LEGISLATIVE ACTION

Mr. Speaker, as my colleagues are aware, I am the chairman of the District Subcommittee on Government Operations of the House of Representatives. In that capacity, I have just completed three public hearings on campaign spending reform. Over 20 organizations, agencies and public-spirited citizens testified to the great need for overhauling and strengthening our campaign laws. All witnesses were united in their demand for strict disclosure, tough contribution and expenditure limitations and effective administration and enforcement; differences were expressed only as to certain means of achieving these goals. With this kind of overwhelming public support, as well as the importance of this subject, I am confident, Mr. Speaker, that my subcommittee, and later the full committee, will report a good, tough campaign finance bill to the House of Representatives in the near future.

CONCLUSION

Our democracy is based on the concept of a choice among candidates made by the voters at the ballot box. Yet current campaign spending practices and laws too often freeze out all but a handful of candidates with personal wealth or financial backing and stifle the emergence of new faces and new ideas. Campaign reform legislation is essential to make that ballot box choice by the voters a meaningful one.

MELCHER WARNS REPUBLICANS TO STOP AND LOOK BEFORE FOLLOWING VICE PRESIDENT FORD'S ADVICE

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

Mr. MELCHER. Mr. Speaker, our old friend, Vice President JERRY FORD recently told a large Midwest Republican Conference in Chicago that the Water-

gate mess and the so-called White House horrors are the result of turning the 1972 Presidential campaign over to "an arrogant elite of political adolescents," in the Committee To Re-Elect the President instead of leaving it in the hands of the Republican National Committee.

I am inclined to agree with JERRY, but I warn my friends across the political aisle that before they accept the Vice President's diagnosis and start repeating it widely they had better look around and see what has become of the CREEP staff which the Vice President referred to so disparagingly.

They are all through the Government, and I find the U.S. Department of Agriculture has become a haven for refugees from the CREEP staff.

The Department of Agriculture provided a soft landing place for Stephen B. King, a young ex-FBI agent who guarded Martha Mitchell in California when she was threatening to talk too much, and according to Martha, whipped out her telephone and called the doctor to give her a sedative by hypodermic to keep her quiet. Steve became a confidential assistant to Secretary Earl L. Butz.

Dr. Clayton Yeutter who headed up agricultural affairs for CREEP had previously been an effective and capable Administrator of Consumer and Marketing Service within the Department of Agriculture and has now returned as an Assistant Secretary. John Foltz also helped CREEP's agricultural division and is now a Deputy Under Secretary in the Department.

According to the Washington Post, the Department of Agriculture soon after the campaign, provided a payroll spot for 17 CREEP employees and 3 White House employees.

And only recently the Department has announced the appointment of one of the former CREEP "elite" as Associate Administrator of the Farmers Home Administration, but who recently left the Veterans' Administration.

He is Frank W. Naylor, Jr., a former Kansas City life insurance man, who staffed CREEP's efforts to aline the Veterans for Nixon and then was sent to the Veterans' Administration.

Rowland Evans and Robert Novak, in a column in the Washington Post of Monday, April 8, explain that Naylor was to be the White House special agent at the Veterans' Administration in a grade 18 job paying $43,926 per year. Evans and Novak report:

A central feature of the Haldeman-Ehrlichman plan was to place trusted Nixon aides, from the White House and the widely defamed Committee for the Re-Election of the President (CREEP) in key positions of executive departments. Running the government then would be Haldeman and his staff, backed by the Office of Management and Budget (OMB) headed by Roy Ash and his deputy, Fred Malek, who had been second-in-command at CREEP.

Named by Malek to be White House agent for VA's multibillion-dollar operations was Frank Naylor, fresh from a stint at CREEP rounding up veterans organizations' support for the Nixon-Agnew ticket. Naylor moved into VA's plush 10th floor executive offices as a supergrade 18 paying $43,926.

Other CREEP alumni from the Malek stable moved to lesser VA jobs. Among the many: Michael Bronson, a CREEP field representative as assistant administrator for planning and evaluation; Andrew Adams, a Kansas coordinator for CREEP as deputy director in VA's now-embattled education division.

What was happening at the VA reflected a radical effort to give the White House total control of all major bureaus and departments. Now, 15 months later, the outcome at the VA is clear: utter disaster.

Naylor, who came to VA without experience in the Agency's highly specialized work, has now been quietly shunted to the Farmers Home Administration. . . .

The Farmers Home Administration, of which Naylor will be Associate Administrator at $36,000 a year, is the key rural redevelopment agency in the Department of Agriculture—a task for which the former Kansas City life insurance man appears to have gained no experience in work at the Veterans' Administration or CREEP. Farmers Home Administration functions include loans to farmers whose credit is impaired, help in developing sound farming plans, and also makes operating loans to farmers who have economic misfortunes and cannot get adequate operating funds from the bank. The only experience which is cited in Naylor's biography which connects him to agriculture is service with the Federal Crop Insurance Corporation from 1969 to 1972, which was an insurance job, hardly experience in Farmers Home Administration-type programs.

The farmers have been continuously displaced from positions in the Department of Agriculture since the Nixon administration first came into office. Grain company executives have replaced farmers in the jobs in which the grain companies have a major interest. Naylor was a life insurance executive replacing a farmer in the Farmers Crop Insurance Agency. Now we have the spectacle of more with military and veterans affairs background taking over the major rural redevelopment agency. One wonders if that has any significance.

I include in the RECORD the full text of the Evans-Novak column to which I have alluded above. I am also including a list of former CREEP and White House employees compiled by the Washington Post who have been given temporary or permanent positions in the Department of Agriculture and the Washington Post list does not include Nancy Steorts, a former White House staffer who is now Special Assistant to Secretary Butz for Consumer Affairs and graduated from Syracuse University in 1959 after majoring in fashion merchandizing.

Those who are interested in what became of scores of others on the staff at CREEP will find a great many of them listed in a July 26, 1973, issue of the St. Louis Globe-Democrat showing those who went to Department of Commerce, Treasury, Environmental Protection Agency, Federal Aviation Administration, Federal Trade Commission, and Veterans' Administration, among others.

I regret that there is not a more current list. It may be that some of my colleagues will want to compile such a list before they go further into attempting to place the blame for the Watergate scandals on the CREEP staff, which has now been spread all through the Government. The articles follow:

[From the Washington Post, Apr. 8, 1974]

HALDEMAN-EHRLICHMAN LEGACY: CHAOS IN THE VA

(By Rowland Evans and Robert Novak)

The horrors now afflicting the nation's veterans programs can be traced to the radical plan of the old Haldeman-Ehrlichman White House, officially repudiated but surviving nevertheless, to centralize all power in the Oval Office during President Nixon's second term.

Although H. R. Haldeman and John D. Ehrlichman are long gone, their grand design endures—administered by spiritual heirs and generally ignored by Watergate-preoccupied Washington. The disruptive results are now surfacing in one agency after another. In the Veterans Administration (VA), the political explosion has just begun.

A central feature of the Haldeman-Ehrlichman plan was to place trusted Nixon aides, from the White House and the widely defamed Committee for the Re-Election of the President (CREEP), in key positions of executive departments. Running the government then would be Haldeman and his staff, backed by the Office of Management and Budget (OMB) headed by Roy Ash and his deputy, Fred Malek, who had been second-in-command at CREEP.

Named by Malek to be White House agent for VA's multibillion-dollar operations was Frank Naylor, fresh from a stint at CREEP rounding up veterans organizations' support for the Nixon-Agnew ticket. Naylor moved into VA's plush 10th floor executive offices as a supergrade 18 paying $43,926.

Other CREEP alumni from the Malek stable moved to lesser VA jobs. Among the many: Michael Bronson, a CREEP field representative as assistant administrator for planning and evaluation; Andrew Adams, a Kansas coordinator for CREEP as deputy director in VA's now-embattled education division.

What was happening at the VA reflected a radical effort to give the White House total control of all major bureaus and departments. Now, 15 months later, the outcome at the VA is clear: utter disaster.

Naylor, who came to VA without experience in the agency's highly specialized work, has now been quietly shunted to the Farmers Home Administration. Bronson is on his way out. Adams, a polio victim confined to a wheelchair, is slated to run the new rehabilitation office in the Department of Health, Education and Welfare (but powerful congressmen may block that appointment).

This accelerating collapse of the Haldeman-Ehrlichman centralization of power barely begins the story of the VA's crisis.

The American Legion cheered when then Republican Sen. Jack Miller of Iowa (defeated for re-election in 1972) persuaded Mr. Nixon in 1969 to name Don Johnson, a fringe Iowa Republican politician and former national commander of the Legion, to head the VA. Today, however, even the Legion has soured on Johnson's performance running the VA's 171 hospitals, 59 regional offices and tens of thousands of employees.

"Don," said one congressional critic, "is a political primitive who plays everything by Malek rule book." Malek's first rule is saving money. Thus, Johnson's critics complain he automatically overrides his own experts, plus the organized veterans' lobbies, to accept OMB's budget proposals even at the expense of essential veterans' services.

The most dramatic case was the Johnson-contrived ouster last week of Dr. Marc J. Musser, VA's highly regarded chief medical director. In a private letter April 3 to Rep. Olin Teague, ranking Democrat on the Veterans Committee, and Sen. Alan Cranston,

chairman of the Senate Subcommittee on Veterans Health and Hospitals, Musser said that "an antagonistic and uncooperative administrator (Johnson)" made his job impossible and that "the infiltration of the department by personnel selected and appointed by . . . the administrator has virtually eliminated any possibility of functional integrity" in the medical branch.

When Musser came under attack by Johnson's office last year, then presidential counselor Melvin Laird interceded. Laird wrung from Johnson a firm agreement to stop interfering with Musser's operation.

More significant, Mr. Nixon himself strongly indicated to Teague last December that Musser would stay. Now, with the President preoccupied with fighting impeachment and with Laird gone, Musser has been hounded out of office.

Musser's top deputy, Dr. Benjamin F. Wells, was also forced out. Wells told us Johnson "just could not stand" Wells' connections with powerful congressional Democrats.

By throwing its full weight behind Johnson, OMB retains draconian control over VA's budget. The cost is high: loss of support from the powerful veterans' lobby, from tens of thousands of Vietnam veterans, and administrative chaos in the VA. Such is one bitter after-taste of the Haldeman-Ehrlichman blueprint for power.

[From the St. Louis Globe-Democrat]

PARTIAL LIST OF NIXON LOYALISTS IN KEY POSTS

WASHINGTON.—Here is a partial list of persons formerly employed in President Nixon's 1972 campaign effort or in the White House and the executive office of the President during Mr. Nixon's first term, who are now employed in Cabinet departments and independent regulatory agencies:

DEPARTMENT OF COMMERCE

Alex M. Armendaris, former director of the Spanish-speaking division of the Committee for the Re-election of the President (CRP), currently director of the Office of Minority Business Enterprise;

Robert A. Barbuto, former advanceman for CRP and deputy director of the 1973 inaugural committee, currently special assistant to the secretary;

Gland P. Dorminy, former executive secretary at the Finance Committee to Re-elect the President, currently private secretary to the assistant secretary for tourism;

Richard F. Ehmann, former assistant to the director of field services for CRP, currently confidential assistant to the director of the Office of Foreign Direct Investment;

Judith L. Hanbaugh, former secretary at the finance committee, currently private secretary to the assistant secretary for tourism;

Andre E. Letendre, former associate executive director at CRP, was special assistant to the administrator of the National Oceanic Atomospheric Administration from November 1972, to February 1973, when he went to the Commerce Department and is currently deputy to the assistant secretary for administration;

Jeb Stuart Magruder, former deputy director of CRP, and executive director of the inaugural committee, became director of the Office of Policy Development until his resignation April 27, 1973;

Joseph M. Mandato, formerly with CRP and deputy director of the medals program book division of the 1973 inaugural committee, currently special assistant to the assistant secretary for domestic and international business.

Robert S. Milligan, formerly with CRP and consultant at the Environmental Protection Agency, currently confidential assistant to the special assistant for policy development;

Ellen M. Wagner, former staff assistant at the CRP, currently administrative assistant in office of assistant secretary for administration;

C. Langhorne Washburn, former deputy chairman of the finance committee, became special assistant to the secretary from December, 1972, until April, 1973, and is currently assistant secretary for tourism;

James Francis, formerly with CRP, currently deputy exhibit manager with the Bureau of International Commerce in the Domestic and International Business Administration;

Parker Jayne, with CRP from August, 1972, to October, 1972, as well as in the executive office of the President from October, 1972, to December, 1972, currently a trade specialist in the Bureau of East-West Trade in the Domestic and International business Administration;

Eric Kibl, formerly with CRP, currently an international trade specialist in the Bureau of East-West Trade;

Edward Kinnear, formerly with CRP, currently an exhibit manager at the Bureau of International Commerce;

Warren S. Chase, formerly with CRP, currently a confidential assistant to the assistant secretary for maritime affairs;

Edward D. Failor, formerly with CRP, was employed by the Department of Transportation from November 1972, until March 1973, and is now the administrator of the Social and Economic Statistics Administration;

Norman E. Watts, former field representative with CRP, was employed by the Department of Transportation from January, 1973, to April, 1973, and is currently a confidential assistant to the administrator of the Social and Economic Statistics Administration;

Diana L. Lozano, former administrative assistant at CRP, currently a confidential assistant to the director in the Office of Minority Business Enterprise;

John F. Evans, former assistant director on the White House Domestic Council, currently assistant to the secretary;

Edward L. Blecksmith, former staff assistant to the director of White House communications, currently special assistant at the Bureau of Resources and Trade Assistance in the Domestic and International Business Administration;

Thorton J. Parker, formerly with the Office of Management and Budget, currently a computer systems analyst serving as special assistant to the chief of systems development at the National Bureau of Standards. Before that he was with the Department of Commerce;

Clark R. Renninger, formerly with the Office of Management and Budget, currently staff assistant for computer utilization programs in the office of the director at the Institute of Computer Science and Technology;

William F. Dougherty, formerly with the White House, was special assistant to the director of the Bureau of the Census in the Office and Economic Statistics Administration until May 1, 1973.

DEPARTMENT OF AGRICULTURE

John C. Foltz, former assistant for the agriculture division of CRP, currently deputy secretary;

K. C. Shephard, formerly with CRP, was employed as administrative assistant in forest services, but has subsequently left;

M. L. Baker, formerly with CRP, was employed as confidential assistant to the administrator of the Agricultural Marketing Service, subsequently left;

M. A. Fox, formerly with CRP, was employed as an administrative assistant in the Agriculture Stabilization and Conservation Service, subsequently left;

J. C. Randall, former assistant in the media division of CRP, was employed as consultant in the Food-Nutrition Service, subsequently left;

T. McDonald, formerly with CRP, was employed as a consultant, subsequently left;

S. B. King, former security guard with CRP, currently a confidential assistant to the secretary;

G. Bruner, formerly with CRP, currently confidential assistant to the administrator of the Food-Nutrition Service;

L. W. Dunn, formerly with CRP, currently a consultant;

Veronica Haggart, former administrative assistant at CRP, currently a confidential assistant to the assistant secretary of marketing and consumer affairs;

C. Beecher, formerly with CRP, currently private secretary to the confidential assistant to the secretary;

Kimberly Moore, formerly with CRP, currently confidential assistant to the administrator of the Agriculture Marketing Service;

Clayton Yeutter, former regional director in the agriculture division, currently assistant secretary of Marketing and Consumer Services;

Gary K. Madson, former deputy director in the agriculture division of CRP, currently deputy administrator of the Rural Development Service;

James L. Minton, formerly with CRP, currently confidential assistant to the deputy undersecretary.

Paul Vandermyde, formerly on White House staff, currently deputy assistant secretary for conservation, research and education.

Catherine Brown, formerly with the White House, currently a mail clerk;

VETERANS' ADMINISTRATION

Frank W. Naylor Jr., former national director of the veterans division at CRP, currently executive assistant to the administrator;

Michael Bronson, formerly with veterans-field services at CRP, currently acting assistant administrator for management and evaluation;

Larry C. Triplett, formerly with CRP, currently confidential assistant;

Clarice R. Woodley, formerly with CRP, currently staff assistant to the executive assistant;

Judith Myers, former assistant in the veterans division of CRP, currently staff assistant to the special assistant;

Anne H. Wallace, former secretary to CRP veterans division, currently staff assistant to the special assistant;

Carol H. Willis, formerly with CRP, currently staff assistant to the chairman of the special projects staff;

Patrick Sullivan, formerly with CRP, currently a management analyst on the management and evaluation staff of VACO;

George Debrowskip, formerly with CRP, currently a trainee on management and evaluation staff of VACO;

Michael Venuto, formerly with CRP, currently staff assistant in the San Francisco regional office;

James Smith, former fieldman in the CRP veterans division, currently staff assistant in the Lincoln, Neb., regional office;

FEDERAL TRADE COMMISSION

Arthur L. Amolach, formerly in public relations division of CRP and with the inaugural committee, currently director of the Office of Public Information.

Michael H. Abrams, formerly in CRP Jewish vote division, currently general attorney in the Office of General Counsel;

Peter P. L. Broccoetti, formerly assistant at CRP became a consultant to AID in the Department of State from January, 1973, to May, 1973, currently trial attorney in the Bureau of Consumer Protection;

Theodore J. Garrish, formerly in polling and research division of CRP and with inaugural committee, currently trial attorney in the Bureau of Consumer Protection;

Martha H. Duncan, former assistant to the CRP director of administration, currently secretary in the office of the chairman;

Robert E. Montgomery Jr., former general counsel in the Office of Consumer Affairs, currently assistant general counsel for legislation and congressional liaison;

Robert J. Lewis, former staff assistant to the President, in the office of Lewis A. Engman, Domestic Council, currently legal adviser to the chairman;

Elizabeth Tulos, former personal secretary to Lewis A. Engman on the Domestic Council, currently secretary to the chairman;

John Fuller, former writer for CRP, currently a speechwriter for the commission;

FEDERAL AVIATION ADMINISTRATION

Alexander P. Butterfield, formerly with the executive office of the President, currently FAA administrator;

William A. Plissner, formerly with the Office of Economic Opportunity, currently director of the Office of Budget;

Louis V. Churchville, formerly with Office of Economic Opportunity, currently director of the Office of Public Affairs;

Ruth A. Edmonston, formerly with the Office of Economic Opportunity, currently secretary to the deputy director of the Office of Public Affairs;

Frederic A. Meister Jr., formerly with the Office of Management and Budget, currently deputy associate administrator for plans;

DEPARTMENT OF THE INTERIOR

Marilyn Army, formerly with CRP, currently confidential assistant to the deputy solicitor;

Tim Austin, formerly with CRP, currently special assistant to the director of the National Parks Service;

Jon Foust, formerly in CRP tour office, currently special assistant to the Parks director;

Douglas O. Lee, formerly with CRP, currently confidential assistant to the secretary in the Office of Communications;

Robert McCann, formerly with CRP, currently special assistant to the assistant secretary for management, detailed to the Office of Oil and Gas;

John Venners, formerly with CRP, currently confidential assistant to the secretary, detailed to the Office of Oil and Gas;

John Whitaker, formerly on White House staff, currently under-secretary;

Robert Walker, formerly on White House staff, currently director of the National Parks Service;

Doug Blazer, formerly on White House staff, currently executive assistant to the Parks director;

Julia Ann Rowe, formerly on White House staff, currently assistant to the parks director;

Brad Hainesworth, formerly of the Office of Economic Opportunity, currently deputy assistant secretary for land and water;

Eric Zaussner, formerly with the President's Council on Environmental Quality, currently deputy assistant to the Secretary of energy and minerals;

ENVIRONMENTAL PROTECTION AGENCY

Leslie A. Arsht, formerly in CRP press department as well as employed in executive office, currently information assistant;

Ann L. Dore, formerly in public relations-press division of the CRP and inaugural committees, currently director of public affairs;

George R. Mehocie, formerly with CRP, currently program adviser;

Vaun A. Newill, formerly in the office of science and technology, currently special assistant for health effects;

Anton B. Schmalze, formerly in Office of Management and Budget, currently consultant in the Office of Research and Monitoring;

Glenn E. Schweitzer, formerly with National Council on Marine Resources and Engineering Resources, currently director of the Office of Toxic Substances;

Michael P. Scott, formerly with the November Group, Inc., currently consultant;

Theodore Wigger, former field coordinator with CRP, currently program analyst, on temporary appointment;

TREASURY DEPARTMENT

John C. Gartland, formerly with CRP, currently deputy to assistant secretary;

Gary Burhop, former assistant on young voter staff at CRP, currently confidential assistant to deputy assistant secretary Clawson;

Maureen Devlin, former receptionist at CRP, currently an assistant to Gartland;

Robin Cleary, formerly of the California Committee of CRP, currently a staff assistant to William Gifford, assistant to the secretary;

John Caulfield, former personal aide with CRP, employed by the Bureau of Alcohol, Tobacco and Firearms until his resignation May 24, 1973;

Edward Morgan, formerly on White House staff, currently assistant secretary for enforcement, tariff and trade affairs and operations;

James Clawson, formerly on White House staff, currently deputy assistant secretary for enforcement, tariff and trade affairs and operations;

Nancy Nugent, formerly on White House staff, currently assistant to Clawson;

Marie Elaine Andree Laroche, formerly on White House staff, currently secretary to Ronald B. Brooks, executive assistant to Secretary George P. Shultz;

William L. Gifford, formerly on White House staff, currently assistant to Shultz for legislative affairs;

TAX REFORM

The SPEAKER. Under a previous order of the House, the gentleman from Ohio (Mr. WHALEN), is recognized for 15 minutes.

Mr. WHALEN. Mr. Speaker, tax reform is an idea whose time has come. Over the last 20 years there has been increasing public dissatisfaction with the frequent pattern of high income and low tax. This public protest was warm enough in the late 1960's to bring about some modest tax reform in 1969. However, this issue has been brought to a boil by recent revelations of President Nixon's tax returns for 1969 through 1972.

I. INTRODUCTION—A DIAGNOSIS

One feature of the President's tax statements is that the liability for several relatively routine transactions—like the sale of a home, the purchase and resale of property, and the use of one's residence for business—is so complex that its accuracy required the review of a blue ribbon congressional committee. A system as complex as this cannot well serve the common man.

More basically, however, this public dissatisfaction with the tax structure is a protest at the strategy followed in our tax law that I call the concept of the uppercut. This approach asserts that the tax system should be used to pursue a variety of public purposes by offering tax cuts to the upper level income earners and wealth holders.

The technique of using tax deductions to attain governmental goals means that the greatest incentive goes to the taxpayer with the highest income, and potentially the highest tax. The lower the tax, the less the deduction potential, and therefore, the less the incentive. This subverts a tax system under which the cost of government ostensibly is shared according to the "ability to pay."

The result of this uppercut concept is precisely what has been the root of the public clamor for tax reform: people and firms with high income paying low taxes.

The problem is not to get agreement that the tax system must be reformed but rather how to reform it. Understandably the reaction to an extreme posture like uppercut is more backlash than it is rational response. In the current spate of tax reform bills I detect two patterns that will not serve the public much better than uppercut.

In a sense the strategy of undercut reacts to prescriptions designed to advance the processes of economic growth by helping the strong. Encouraging savings by favorable tax treatment of capital gains is at the same time, to load tax relief only on those wealthy enough to own appreciated assets. Thus, the more wealth one has accrued, the more benefits he garners from favorable tax provisions on capital gains.

Some observers of this process might conclude that the proponents of capital gains tax relief do not really care about savings and investment and economic growth. Rather, it is argued, their espousal of capital gains tax relief to attain economic growth masks the real objective of uppercut, that is, cutting the tax of high income and wealth holders.

There is, however, validity to the objectives of accumulating savings and investment so as to enhance economic growth.

First, the American workingman expects to see his real wage rate rise. Without capital growth this is an unlikely prospect.

Second, Americans expect energy provided in ways that do not pollute the environment and do not leave us dependent on uncertain foreign sources. Our energy problems are just one dimension of the dilemma stemming from public pressures to obtain goods and services in forms which leave cleaner air and cleaner water. For the most part antipollution equipment means more capital.

Third, it is brought home to us daily that a very large fraction of U.S. citizens still live in miserable housing. In the past, housing has absorbed between one-fourth and one-third of the gross private saving available for investment. Much of our plans dealing with urban problems involve massive upgrading of our housing stock. This is another claim on our flow of savings and investment.

It is, I think, necessary to be very clear about the objective of economic growth. Looked at from the strategy of uppercut the symbols of economic growth were more and bigger Cadillacs and a jet-set culture. Very properly the public has come to hold these manifestations in low regard.

More valid representations of economic growth are:

Increased business plant designed to

provide the goods and services to raise the living standards of the tens of millions of poor Americans;

An increased stock of business equipment capable of providing meaningful jobs for millions of underemployed Americans; and

More complex capital equipment that is capable of meeting human needs without raping the environment.

Economic growth is not the only ingredient that is needed for the kind of society that we want. It is, nevertheless, a very important component, one which must be approached with a more humane strategy than uppercut.

Herein lies the challenge of tax reform. It will not be enough simply to replace uppercut with shortcut or undercut.

Tax reform must be approached by finding ways to combine the interests of the low- and middle-income taxpayer with the maintenance of an adequate flow of savings and investments. The basic concern needs to be less with increasing the capital owned by the rich and more with increasing the capital owned by low- and middle-income Americans.

This is a major theme of the tax reform plan which I shall now outine. If it accomplishes nothing else, I hope that my program at least will initiate a dialog along more constructive paths than the present noisy debate between uppercut, shortcut, and undercut.

The following represents what I believe is only a first effort at constructive tax reform but one which comes from a different part of the animal than these various expedients. It is a program which might be labeled a primecut.

II. A PROPOSAL IN OUTLINE

The program of tax reform that I offer consists of several distinct elements.

First, I propose—in section IIIA—a number of fundamental tax reforms designed to strengthen the progressivity of the tax system as it applies to the enormous concentration of wealth. As will be made clear, I am not indifferent to the need to correct some present provisions which reduce the progressivity of our income tax. However, as I will show, the excessive concentration on the income tax, per se, in many current tax reform proposals, does not get to the fundamental process of wealth concentration.

The major changes I recommend in this direction are the taxation of capital gains at death plus the closing of the death tax loopholes provided by lifetime giving and generation skipping.

Second, I delineate—in section IIIB—a series of tax reforms which are intended to enhance the process of economic growth by enlarging the flow of savings by low- and middle-income people into business investment. There are a number of ways that this objective of tax relief for savings can be accomplished. Two methods included in my proposal are a strengthening of the pension provisions and a partial integration of the corporate and individual income tax.

Parenthetically, these first two elements of my tax reform plan—sections IIIA and IIIB—constitute a viable alternative to the traditional conservative program of designing investment incentives in a manner that amounts to financing more investment and capital accumulation by the rich.

Third, my program addresses itself to the highly complex structure of incentives for nonrevenue objectives that has become so deeply ingrained in our Federal income tax system during its 61 year existence. For the most part these provisions, when enacted, did make some contribution to national objectives identified by the Congress. Wholesale abandonment of these provisions will not serve our country well, even when we recognize that many of them have become widely advertised tax shelters. I argue that these provisions must be examined one by one. The goal which each seeks must be reevaluated in terms of present conditions. Further, new, fairer, and more efficient ways to reach these goals must be explored. This approach leads me to offer—in section IIIC—specific changes in the present tax provisions relating to: First, minerals, especially oil and gas; second, charitable contributions; third, tax exempt bonds; fourth, profits on United States investment abroad; and fifth, real estate. A final recommendation in section IIIC deals with personal exemptions and the standard deductions.

III. SPECIFIC PROPOSALS

A. THE TAXATION OF WEALTH

1. TAXATION OF GAINS AT DEATH OR GIFT

Much of today's cry for tax reform reflects criticism of effective tax rates that are too low for some in high income brackets. There is considerable substance to these views. At the same time, there is the perplexing problem of how to correct this situation.

Even a brief examination of the data makes it clear that the most important source of inequality in income allocation is the distribution of wealth. Much of the funds received by those in the higher brackets stem from income-producing assets rather than from remuneration for personal services. In 1968, for example, 41 percent of the dividends reported on all tax returns went to those with more than $50,000 of adjusted gross income (AGI). However, these same individuals, representing only one-half of 1 percent of those filing statements, received only 2 percent of the total wages disbursed that year.

Raising the income tax rate will impact sharply on the incentives to invest individual effort in economically rewarding activity. More fundamentally, the income tax, as it is now structured, deals most ineffectively with the largest component of the income on high income tax returns, namely, capital gains. Obviously, capital gains can be achieved only by those possessing wealth. Our present income tax statutes, as they relate to capital gains, are defective in two ways.

First, suppose that an individual, holding assets which have risen in value; can live entirely off the income of his wealth. Under such circumstances there is no incentive to dispose of these assets. Therefore, the capital gains tax, to borrow a currently popular phrase, is "inoperative" in this situation.

Second, consider a person who has had a lifetime income of $1 million derived from profits from a proprietorship or partnership or from salaries and wages. This individual will have paid annual income taxes, and there will be an estate tax on what is saved and passed on to the children.

Contrast this with another person whose stock holdings originally costing $100,000, increased in value before death to $1 million. Tax on this appreciation can be avoided. After death the assets are treated as though the value at time of death—$1 million—was the cost to the heirs. There is income tax on wealth accumulation through earned income but not on wealth accumulation through unrealized appreciation.

It is this failure to tax appreciation of wealth which contributes so substantially to the number of high income people who pay so little income tax.[1] Undoubtedly, the effective tax rates of many other very wealthy persons were greatly minimized simply because they did not have to realize their capital gains.

The simplistic solution to the problem of a low tax yield on capital appreciation is to raise the rate or impose a new minimum percentage. The obvious defense mechanism for the wealthy will be to hold what they have, taking even fewer gains.[2]

Instead, capital gains should be taxed as if they had been realized at the time they are transferred by death or gift. This proposal has been considered by serious tax experts for many years, and the time is now propitious for its adoption.

This plan does constitute a change in the rules of the game. Therefore, it is reasonable to adopt measures to moderate its impact. I suggest that the new system include an alternative basis for the tax on gains at death equal to the assets' value as of January 1, 1974. In this way prior appreciation would be taxed under the rules applicable when the gain was accumulated. This provides protection for all existing business holdings.

Also, to avoid the complication of returns for many small estates, a minimum basis for any one person's assets could be established to equal the estate tax exemption.

In any discussion of taxation of capital gains at death, the most frequently asked question is, "What about the family business (or family farm)?" Indeed, I believe that the emotional problems attendant to this issue are largely responsible for Congress' inactions in this area. Some comments about the logic of this whole problem are in order.

It must be recognized that any Federal decision to impose capital gains taxes at death makes it more difficult for parents to transfer wealth to children. If one desires a country in which very rich parents can make their children very rich, what one really wants is no tax at death at all. A society with increasing wealth concentration is not what I, and most other Americans want.

If we agree that capital gains taxes will be imposed at death we then must determine how to differentiate cases in

Footnotes at end of article.

which the family business or farm is left to children from situations in which stocks or cash are willed to them. On the face of it we are dealing in patent inequality if we say that one individual who has accumulated $1 million in stocks can leave less of it to his heirs than can one who has accumulated $1 million in a family-owned business.

To justify such discrimination one has to argue that there are benefits to be had for the whole society, or at least the whole local community, if business B or farm F "stays in the family." Whatever tax exceptions one wants to give the family business or family farm certainly should be in the form of a contingent benefit which terminates if the family business or family farm is sold.

The mechanics of this relief should provide for deferral of capital gains at death under two conditions:

First, the interest rate should be below the market rate;

Second, the liability to pay deferred tax should be capable of being waived in part, or whole, if the family business or family farm depreciates in value.

My two conditions, in fact, are very flexible. If the interest rate charged on this deferral of tax were one-half point below market rates and the conditions for qualifying for waiver of tax were so severe that in only one case in 100 would taxes be waived, then there is very little relief for family farms or family businesses.

Conversely, if the interest rate was one-half point above zero and the waiver conditions were so generous that 99 cases out of 100 would qualify, then deferral is practically equivalent to exempting family businesses and family farms from death taxes.

My own preference would be to adopt a position in between these extremes. I would extend moderate deferral benefits, closer to zero benefits than to no tax. The Treasury recommendations in tax reform studies and proposals are a good model. My major contention, however, is that this is negotiable. If the Congress has more sympathy for the family business—family farm argument than I do, then the proposed tax payment deferral can be very generous. Since this issue can be handled in any way the Congress sees fit, there is no reason to oppose taxing capital gains at death on the grounds of its impact on family farms—family businesses.

2. MAKING THE ESTATE AND GIFT TAXES MORE PROGRESSIVE

From the foregoing, it can be seen that the taxation of capital gains at death or gift is necessary to repair a gaping hole in the income tax structure. Not only is implementation of this measure quantitatively important. It is qualitatively important because it eliminates an opportunity uniquely available to the wealthy—the ability to escape income taxation on unrealized asset appreciation.

The second portion of my effort to strengthen the progressivity of the tax system involves bolstering our present estate and gift taxes.

As will be made clear shortly, a major thrust of my proposals is to generate more lifetime savings. This is the other side of the same coin that holds there should be less opportunity to pass very large accumulations of wealth to heirs. If we are to have a progressive tax system, there has to be progressivity somewhere. My preference is to be cautious in reducing the taxpayers' capacity to earn and save. I want to be more daring in reducing the ability to bequeath huge family fortunes.

If this approach is to be effectuated, several major problems inherent in the structure of our transfer taxes must be ameliorated. These involve: The low tax on lifetime gifts; the generation skipping loophole; and the structure of exemptions.

Gifts.—The problem with the present gift tax law is that it is a very cut rate transfer tax. Large wealth transferred wholly or partly by gift pays very much lower taxes than wealth transferred at death. Our statutes pursue a fanciful theory that the world benefits from gifts, even gifts to minors, gifts in trust, and incomplete gifts. For this reason current Federal law provides incentives for gifts. Because of the inadequacy of the provision for gifts made in contemplation of death, there is even legal encouragement for death-bed gifts. And the larger is the family wealth, the greater is the gift inducement.

I would move to create a single transfer tax. Estates and gifts would face the same rate. The gift tax, like the estate tax, would be computed on the gift plus the tax. The estate transfer would be taxed as the last gift. In other words, assets willed at death would be taxed on top of prior gifts just as any one year's gifts are taxed today. For reasons elucidated in connection with the changes proposed in our capital gains tax, this cumulation of estate and gift transfers should not apply to gifts made before January 1, 1974.

Generation skipping.—Under present law, a testator can leave his property in an ingenious trust which can frustrate several generations of tax collectors. The trick is to provide a trust in which the income—but not the assets—will go to the testator's children during their lifetimes, while the remainder of the trust will go to the grandchildren. With good planning there even could be a life interest for both children and grandchildren with the remainder going to great-grandchildren. This protects the family fortune from transfer taxes for two future generations.

My concept of how a democratic capitalist society should operate is that wealth accumulation should principally arise from one's own effort and saving. There should not be holes in the tax law to protect family fortunes through several generations of inherited wealth.

Basically in these cases an additional tax should be triggered when property actually moves over one generation. To be effective the tax must be applied not only to transfers in trust but also to direct generation skipping conveyances. In principle, the applicable tax rate could be computed from the wealth of the original testator or the intervening generation. Due to the difficulty of determining the identity of the intervening generation in a spray trust, the basic rule needs to determine the extra tax rate by reference to the tax on the original testator.

The exemption structure.—The present estate tax provides an exemption of $60,000 for all estates. This is both too high and too low. It is too low when a breadwinner dies in middle age and the estate must be used to support a surviving spouse and young children. It is too high when the heirs are grown children with good incomes of their own. For these the inheritance is a windfall.

The estate tax exemption should be reduced to about $30,000. At the same time, the law should provide that a basic amount left to the surviving spouse should be completely tax free. The spousal exemption could reasonably be $100,000. For each minor child there should be an exclusion in the amount of $3,000 times the difference between the child's age and 21. To illustrate: for a widow with children 10 and 15, the total exemption would be $181,000. The marital deduction should continue to apply as it does now to spousal bequests over and above the amounts that qualify for the exemption.

B. THE TREATMENT OF INDIVIDUAL INCOME AND SAVING

As I noted at the outset of this discourse, the difficult aspect of tax reform is to find ways to provide effective progressivity without stifling the incentives required to attain desirable societal goods. It is clear from the previous section IIIA that my first response to making the system effectively progressive is to concentrate on the intergeneration transfer of wealth.

This, in turn, tends to reduce savings in the economy. When estates are partly liquidated to pay the estate tax, the decedent's assets will be purchased by living savers. These savings thus will be used to acquire existing assets rather than to create new ones.

This effect notwithstanding, my central concern with progressivity makes it important that we shun devices whose only purpose is to increase the saving of the rich. More vital is the need to increase the savings of the middle-income American. This is a direction of tax policy which has rarely been faced in tax reform discussions. Consequently, I advance this proposal with some modesty in the hope that it will stimulate further dialog.

Pension reform.—I approve of the general direction of H.R. 2 which passed the House of Representatives on February 28, 1974. Present pension provisions in the tax law offer tax benefits for income saved. The difficulty, however, with existing statutes is that they favor high-income employees. This, in part, is attributable to the fact that high-income earners save more and are more likely to be in pension plans.[5] More importantly, the value of the tax deferral allowed

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by pension plans increases sharply in the higher tax brackets.

Consistent with my concern for the rate of saving I favor the steps incorporated in H.R. 2 with respect to vesting and funding. This measure, nevertheless, makes only modest progress in these two areas. In the future we should progressively strengthen the vesting and funding requirements and deemphasize the role of reinsurance. Pension plans which are only employers' IOU's, insured or not, do not contribute to the savings supply.

Finally, I also applaud that provision of H.R. 2 which extends to those not covered by employer pension plans an opportunity for pension savings tax deductibility.

Corporate tax integration.—It is widely recognized by serious scholars that our corporate income tax structure is unsound. Unfortunately, public discussion of corporate tax policy has tended to focus on the image of the large corporation and has not sufficiently considered the matter from the standpoint of the corporate owner.

I agree that large corporations are a potential social problem merely because they represent an enormous accretion of power. Other than tax policy, antitrust legislation and public responsibility measures should be fashioned to deal with this issue. Our tax laws, if anything, probably make life easier for large corporations by discouraging competitors from entering the field.

The present corporate-personal income tax laws, over the years, have been attacked on the grounds of double taxation—first, on profits; second, on distribution of profits. This, in my view, is not the main problem. What I see as bad in our tax structure is that savings—retained earnings—in the corporation are taxed at rates which have no relevance to the income of the shareholders who own the corporation.

The savings of the low-income widow which are retained by A.T. & T. are taxed at 48 percent. This is the same rate at which the savings of the rich stockholder are taxed. Thus, under present law a wealthy person, earning over $200,000—thereby subject to a 70-percent rate at that level—is treated better on the savings accrued for him by his corporation than he otherwise would be if he had received the income directly.

The mischief of the corporate income tax is that it establishes a kind of "average" tax rate—a high average, actually—for all stockholders. This precludes the gradation of rates based upon the particular shareholder's ability to pay. Thus, this discriminatory feature favors the wealthy stock owner at the expense of the middle-income shareholder. Also, the double tax on dividends encourages wealthy persons to leave their money in the corporation. Relieving the tax on dividends would reduce the incentive to corporate saving but it still would not eliminate the unfair taxation of shareholders' savings.

It is time that we make a significant move toward true integration of corporate and individual tax policy. I realize that what I am suggesting represents a drastic revision in the current system. I think it wise, therefore, to carry this change only part of the way. Thus, I recommend adoption of 50 percent integration.

The substance of my proposal can be explained by the following illustration. Assume a stockholder receives a dividend of $10 on a firm's share of common stock. He will be notified at the same time by the corporation that, in addition to the $10 dividend, it paid $16 a share corporate profits tax and retained, as corporate saving, another $10. This represents total gross earnings, before tax, of $36 per share. In conformance with existing law this shareholder would report on his form 1040 his cash dividend of $10. Under the new concept, he would report one-half—$8 and $5, respectively—his share of corporate tax—$16—and corporate earnings retention—$10. Additionally, he would take credit for one-half—$8—of the tax per share paid by the company—$16.

In practice, this would work out fairly simply. The dividend notice would give the income to be reported on tax returns, plus the tax to be treated as having been paid. This is what presently happens on wages. The worker is told that he has to treat as wages on his tax return amounts that he never got—like payments on medical insurance—and he is told the amount of tax for which he can take credit.

Under my proposal, the shareholder, if he is in a low bracket, will get credit for more tax than is due on the dividends. Consequently, he possibly will be entitled to a refund. For those in higher brackets the refund will be small or there may even be additional tax due because the corporate tax may undertax the savings share of the high bracket taxpayer.[4]

This proposal to integrate corporate and personal income taxes raises a number of issues that can be handled in various ways. Appendix A offers suggestions as to how to treat some of these matters. Yet my proposal is quite flexible. It is one of the tragedies of tax reform deliberations that the basic concepts of the corporation tax have been so badly handled and we have drifted into a system that enormously benefits rich owners. Rectifying this will require serious analysis by lawyers and accountants, but it is important that we turn the debate in this direction.

C. THE CORRECTION OF THE TAX INCENTIVE STRUCTURE

With most of the fraternity of tax reformers, I am fully aware that our present income tax system is a patchwork of special incentives, sometimes called tax expenditures.[5]

That a provision of the law is called a tax expenditure is not justification for its repeal (any more than calling grants to urban mass transit a budget expenditure is grounds for their termination). Rather it is an acknowledgment that the Congress had some specific reasons for devising the specific tax as a means of achieving some nonrevenue objective.

Nonrevenue objectives must respond to the same two queries which are posed in evaluating an ordinary budget expenditure: "Is what we are trying to do worth the cost?", and "Are we going about it efficiently?" These are not easy questions by any means. This is why the Congress does not expect to "reform" the expenditure side of the budget in one fell swoop. On budget expenditures we look primarily for project improvements at the margin and occasionally undertake a basic reexamination of a specific program. This year, for example, the Congress expects to look comprehensively at the system of medical care.[6]

As in the case of expenditure reform, tax proposals should not undertake to reform everything. On the contrary, it only makes sense to start with the premise that the various "tax expenditures" carry out deliberate congressional policies. From this assumption we should effect changes only in specific areas. These include instances where conditions have changed so much as to make old policies obsolete or where there is ample evidence that the old programs are not serving us well. At least six "tax expenditures" fall into these categories, thereby demanding our attention.

Energy and taxes.—For many years our tax law has encouraged the output of natural resources through a percentage depletion deduction as well as the favorable treatment—current deduction—of certain capital costs—intangible drilling expenses for oil and gas and development expenses for mines.

This clearly is an instance where conditions have changed. Until 1973 the world price of oil was approximately $2 per barrel. Since the U.S. firms were high cost producers, domestic prices were $3 to $3.25. At the same time there was general agreement that national security interests precluded our becoming dependent on foreign oil for more than 20 percent of our total needs. If we had free markets for oil, the more efficient American wells still would be operating, but domestic producers would have supplied only about 40 to 50 percent of our total consumption.

The Federal Government's response to this was to impose an oil import quota from the mid-1950's until 1973. This forced the American consumer to pay for $3 oil instead of $2 oil. This protection of our domestic industry created a need for tax breaks which would permit oil producers to capture a part of their drilling costs from the U.S. Treasury instead of having to charge a higher price on the market.[7]

Today the world price of oil exceeds domestic quotations. Since we are involved in the world oil market as a heavy importer, the U.S. price inevitably will move up to a level not much below the world figure. This, in fact, explains the price increases that we have observed in recent months. This is the same phenomenon that has led the President to recommend a "windfall profits" tax on oil companies.

The windfall profits approach is defective for several reasons.

First, as temporary tax it encourages producers to delay the time when they increase their output. By delaying production increases until the temporary

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tax is terminated, oil firms will be able to retain more after tax income.

Second, when the temporary tax expires there still will be very high profits and very high royalties. Before the OPEC oil price increase, it was expected that a great deal of oil would be produced in the United States at a price of $4. A $7 level most certainly will generate even greater earnings and royalties.

The sensible response to this situation is to abandon the crutch that we relied upon to protect a high cost U.S. oil industry. Fundamentally, percentage depletion is an irrational subsidy because it rewards a producer to the extent that he uses up valuable and, in a sense, irreplaceable resources. If in pursuing self-sufficiency in energy we perfect techniques to capture solar energy and apply it for heating processes at a Btu cost comparable to that of oil—$7 a barrel—there will be no percentage depletion for the solar energy but a $1.30 tax subsidy for the oil. Basically, percentage depletion is discriminatory. It puts at a disadvantage any process which upgrades the capacity of a cheap, plentiful resource to achieve a production output commensurate with that now attained by a scarce, valuable resource.

With rising resource prices we safely can repeal percentage depletion without imposing losses on producers who invested in reliance on the tax benefits accruing from such allowance. The loss of this tax advantage can be more than recaptured by higher prices in the marketplace.

A smaller but appropriate change in the income tax that relates to energy is the removal of the deduction for State taxes paid on the purchase of gasoline used for nonbusiness purposes. The gasoline tax now collected by States is used as a way of paying for highways. To the automobile owner, this tax is a cost of nonbusiness driving just like the cost of the gasoline itself, the cost of the automobile and the cost of the tires. The effect of a Federal deduction for payment of State gasoline taxes is to reduce the cost of gasoline more for rich people than for poor people. Let me explain. The family at or below the poverty level has no income tax and therefore obtains no benefit from the gasoline tax deduction. Most lower-middle income taxpayers use the standard deduction and therefore derive no relief from the deduction. Even when a working family does deduct this tax, it is applied to a 20–25 percent effective Federal rate, while for the wealthiest families the gasoline tax deduction is claimed against a 70-percent rate.

Contributions.—The past half century has witnessed the development of a large pluralist, not-for-profit sector of the private economy. This, in large part, is due to our tax laws which permit deductions for private contributions and allow tax exemptions on endowment investment income. While a serious question can be raised about the fairness of a structure whose effect is to subsidize the contributions of the wealthy more than the donations of middle America,[8] I am reluctant to recommend substantive changes with uncertain consequences. This basic "pro-rich" bias of our contribution deduction system, however, does make it imperative to deal with cases where the benefit of contributions deductions can be doubled, especially when this device is primarily available to wealthy taxpayers.

The obvious abuse arises from the contribution of appreciated property. Ordinarily, when a working family donates to charity, the effect of deductibility is to remove from tax liability that portion of income given away. Stated in another way, the law treats the taxpayer as if the income had never been received. It does not reduce the deduction on his other income. When an individual contributes an appreciated asset, however, he disposes of a potential capital gain that was never included in income. Thus, the deduction for this nondeclared gain reduces tax on income that is being used for personal purposes.

Spokesmen for charitable organizations have resisted changing this rule because, in their opinion, this extra benefit attracts more contributions. While this assumption may be valid, the effect of the charitable contribution provision is highly inequitable. It panders only to the wealthy who have appreciated assets to give away. If it is thought necessary to have an extra fillip, it would make more sense to provide extra deduction for contributions that were high in relation to income. For example an $11 deduction might be allowed for each $10 of contributions in excess of 10 percent of adjusted gross income.

Extreme interest.—The technique that we use to reduce the borrowing costs of State and local governments is another provision of the Federal income tax law which is highly discriminatory. The incentive it offers to each purchaser of a "municipal" differs depending on the marginal tax rate of the buyer. This approach is also inefficient because it results in about a $2 saving to State and local governments for each $3 of revenue loss to the Federal Government.

I contend that Federal subsidization of State and local government borrowing is basically wrong. If the National Government simply gave an equivalent amount of money to States and localities, they would be able to decide for themselves how to spend it. One way of utilizing this sum, of course, would be to meet all, or part, of their bond interests costs.

Nevertheless, it seems quite unlikely that States and localities would accept an exchange of cash for grants-in-aid on debts. The best solution, therefore, appears to be adoption of the much-discussed plan which would permit States and local political subdivisions to issue bonds whose income would be subject to Federal tax with a guarantee that the Federal Government, in turn, would pay 40 percent of the interest.

4. FOREIGN TAXES ON INVESTMENT INCOME

The treatment of foreign investment income has been a controversial part of both tax reform and foreign policy debates. My description of the strategies of uppercut and undercut fit this controversy very well.

Foreign investment is made mostly by large companies. Thus, proposals which claim to advance U.S. interests by generous treatment of foreign investment income benefit our country's biggest firms. On the other hand, since America is the world's richest country—possessing the highest capital per capita—using tax policy to prevent any sharing whatever of our capital with the rest of the world undercuts my vision of a cooperative community of nations.

Between these two extreme views there is a logical and practical principle which can be followed to decide how to tax income earned abroad. The standard simply should be that the Federal tax on foreign investment income should not exceed the tax on domestic profits. This neutrality theory avoids subjecting foreign income to penalties. It also says that to be attractive to U.S. investors after payment of taxes, a foreign investment must be an efficient use of capital. In other words, it must be attractive compared to an equal-risk domestic investment on a "before tax" basis.

This moderate approach is consistent with maintaining a foreign tax credit, but it does call for a number of changes to tighten the present rules.

First, deferral of foreign profits in American-owned companes incorporated under foreign law should be terminated. Essentially this calls for a generalization of subpart F of the present law. The generalization would be a substantial simplification since it would eliminate exceptions, and exceptions to exceptions.

Second, the first five points of foreign tax should be treated like a local income tax in the United States and allowed only as a deduction, not a credit. The 5-percent rule establishes general equality with local taxes in the United States, and it would operate whether the local corporate income tax in any particular country was above or below 5 percent.

Third, the overall limit on the foreign tax credit should be removed.

5. REAL ESTATE

As I indicated earlier, the difficulty in tackling tax reform is the need to take into account the nonrevenue objectives that the Congress, for solid reason, has incorporated into the tax law. In the real estate area the nonrevenue objective most often articulated is the need to improve the housing conditions of the American people.

Only to a limited extent, however, does the present assortment of real estate tax breaks reach this goal. Present housing benefits extended to individuals include nonrecognition of imputed income on owner-occupied residences plus deduction—against other income—of the real estate tax on mortgage interest costs associated with that nonincluded income. These exemptions are meaningless to those who are nontaxable or who use the standard deduction. Over half of American families fall into this nonbeneficiary category. This system of individual relief is further defective in that the amount of the benefit increases with the income

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level. The tax incentives, therefore, are concentrated on luxury housing.

Real estate benefits extended through accelerated depreciation also increase with the capital investment in rental housing. Again, they are designed to concentrate on luxury housing incentives while reducing the luxury housing bias.

To minimize the inequities prevalent in our current real estate tax statutes, I suggest that the deductions for taxes and interest related to owner-occupied housing be limited to $3,000 per family. This will substantially cover taxes and mortgage interest paid on a $50,000 home.

Further, I would limit the depreciation on new construction to a straight line formula.

The revenue gains from these two devices then should be used to finance a program of rent supplement payments for low-income families. This transfer of funds from tax incentives for luxury housing into rent supplements will go far toward achieving the important nonrevenue objective of improved housing for the poor.

6. THE ASSET DEPRECIATION RANGE SYSTEM

I propose to restore depreciation rules to their pre-1971 status. This means reinstating the reserve ratio test and eliminating the 20-percent life shortening provision superimposed on the old guidelines. It is sufficient that we have an investment credit designed to provide a deliberate subsidy to investment. It should not be augmented by modified accounting practices whose real effects are obfuscated. The proposals I have advanced for integrating the corporate and individual income tax should generate a larger flow of savings. This, in turn, will make possible more investment. I would be amenable to refining the current investment credit by applying it at higher rates for investment in excess of replacement needs.

7. INFLATION ADJUSTMENT

Growth in the level of general income produces corresponding increases in the effective tax rate. Fixed dollar exemptions each year become a smaller percentage of the average income, thus exposing more of an individual's earnings to tax. In this way government profits from inflation.

By November 1 I propose that the Secretary of the Treasury be required to announce his best statistical estimate of the annual increase in average family wages for the ensuing year. He then should be mandated to raise the personal exemption—now $750 per person—and the minimum standard deduction—now $2,000—in the same ratio as the projected rise in the forthcoming year's average income.

In the long run, this plan will not involve any loss of revenue as a percentage of gross national product. In the short term, a revenue reduction will occur since there will be compensation for the lags which have occurred since 1971. To deal with those lags I recommend that, effective in 1974, the personal exemption be increased by $75 and the minimum standard deduction by $150.

IV. REVENUE EFFECTS

Tax reform discussions often center on the revenue—producing potential of given proposals. Changes in our Tax Code, however, should not be effected merely to stimulate more Federal income. Rather, their primary purpose should be to achieve a more equitable tax structure. The foregoing recommendations have been offered with this objective in mind.

Nevertheless, the financial impact of a specific statutory revision cannot be ignored. Prudent fiscal planning requires the Government to project the anticipated yield of each tax provision. I, therefore, have prepared an estimate of the revenue effects of each of the specific suggestions outlined in the preceding pages.

A. TAXATION OF WEALTH

The suggestions contained in section III A will produce no immediate increase in Federal receipts because of the transition devices provided. Furthermore, as revenue from these changes does expand during the next decade, there should be corresponding reductions in personal income tax rates. These cuts could amount to 3 percent of the revenues generated at current rate levels.

B. THE TREATMENT OF INDIVIDUAL INCOME AND SAVING

The partial integration of corporate and individual income taxes, delineated in section III B, produces a net revenue loss of $6 billion annually. Perhaps this can be best understood by an illustration.

At current annual profit rates of about $125 billion, we assume that $100 billion is allocable to individuals. Presently about 28 percent of this is paid in dividends which are taxed at about a 40-percent rate. Therefore, that portion of individual taxes stemming from corporate profits is $11.2 billion.

Under my partial integration proposal the share of corporate profits reflected on individual returns will rise to:

[In billions]

Dividends	$28
One-half retained profits	14
One-half corporate tax before credits	23
Total	65

Since this $65 billion declaration will fall into higher brackets, we assume that the effective rate on it will rise to 44 percent. Thus, the tax liability before credit will be $28 billion. After allowing the $23 billion of credits provided by my plan, the net tax liability falls to $5 billion—as contrasted with the present $11.2 billion.

C. THE CORRECTION OF TAX INCENTIVE STRUCTURES

First. The repeal of the percentage depletion allowance and the elimination of the nonbusiness State gasoline tax deductions—at the current price of oil—will generate additional annual revenues of $5 billion;

Second. Suggested changes in the contribution section of the law would have a neutral revenue effect;

Third. The gain in receipts from eliminating tax exemptions on interest received from State and municipal bonds would be offset by Federal interest payment guarantees;

Fourth. The change in liability for foreign investment income would achieve a revenue gain of $1 billion;

Fifth. The gains achieved by adoption of my proposals dealing with real estate taxes and mortgage interest payments would be negated by payment of low income rent supplements;

Sixth. Repeal of the asset depreciation range system, after a small revenue change for the first year to two, will increase total annual tax receipts about $4 billion; and

Seventh. As stated previously, my proposed inflation adjustment concept, in the long run, will not involve any loss of revenue in relation to our gross national product. However, the one-time catchup to equate income tax exemptions with current price levels will cost $5 billion.

In summary, adoption of my proposed tax reforms would reduce Federal receipts by $5 billion during the first year they are in force. In succeeding years, however, they would produce an annual net revenue increase of $3 billion.

V. CONCLUSION

The passage of the 16th amendment to our Constitution in 1913 made possible congressional imposition of the personal and corporation income taxes. The principal function of these taxes is, of course, to help defray the cost of public services. In so doing, however, they should conform to criteria generally accepted by economists as constituting a "good tax structure." First and foremost among these, according to Profs. Richard A. and Peggy B. Musgrave, is:

> The distribution of the tax burden should be equitable. Everyone should be made to pay his "fair share." [9]

In recent years the personal income tax and the corporation profits tax have deviated from this prescription. Incentives and tax relief have been geared to benefit the wealthy and those receiving large incomes. This inequity has fostered two economic problems. First, it has made it exceedingly difficult for those in the lower and middle-income categories to accumulate savings which, in turn, can be channeled into our Nation's productive system. Second, it has contributed to the growing disparity in income distribution throughout the United States.

The reform package described in the preceding pages is designed to eliminate this unfairness in our income tax structure. It seeks to make the system more progressive by focusing on the sources of income rather than the income itself.

By attacking unreasonable accretion and perpetuation of wealth, my proposals, if enacted, would accomplish two objectives. First, they would restore the "ability to pay" principle to our tax system. Second, my plan would generate additional capital flows from a new source—the low- or middle-income recipient. Thus, not only will my recommendations eliminate the source of justifiable public discontent, they will strengthen the capitalistic system by creating more capitalists.

APPENDIX A

Some details for partial integration of the corporate tax:

First. No creditor imputation would apply to corporate shares held by tax exempt organizations;

Second. A dividend exclusion of $200

would be available on an optional basis if the shareholder did not want to deal with imputations and credits;

Third. Corporations would be required to notify shareholders by January 31 of their share of corporate tax and corporate saving. Implicitly, shareholders who owned the stock for only part of the preceding year would be required to prorate according to the dividends they received on the stock and the total dividends paid on the same stock during the year. Notification would relate to corporate tax and saving in the fiscal year ending in the prior calendar year;

Fourth. A corporation would be required to include in its tax and savings account its proportion of the tax and savings of any other corporation from which it received dividends;

Fifth. If, in good faith, the corporation incorrectly estimates its income and the tax due, any adjustment to the tax and savings accounts will be made for the year in which the adjustment is established;

Sixth. If the corporation has no profit for the year, dividends will be treated as having first come out of earnings and profits accumulated before the effective date of the new provision and will be taxed under the old rules. Dividends in excess of earnings and profits for any year will be treated as having been made out of earnings and profits accumulated under law. Thereafter, they will be half from tax retentions already treated as having paid individual tax; and

Seventh. The tax reported to the shareholder as having been paid for him will be half of the corporate tax before tax credits.

FOOTNOTES

[1] This is conspicuous from the tabulations of minimum income tax schedules for 1971. About 80% of the base of the minimum tax (which was supposed to deal with high income—low rate taxpayers) was the excluded half of capital gains. See *Statistics of Income Individuals*, 1971, p. 135.

[2] If one gained, say, 100% from holding stock in X Co., it is not obvious to sell it, even if he thought that X Co.'s growth rate is now less promising than that of Y Co. Other investors know about X and Y and by selling stock X, the owner will get what the average investor thinks X is worth and will pay what the average investor thinks Y is worth. If, in addition, he must pay a tax on his gain to make the switch, his guess about the real values of X and Y must be much better than the market average for him to be better off than he would have been by holding on to X. Martin Bailey has estimated that about half of capital appreciation is not realized prior to death. cf. M. J. Bailey, "Capital Gains and Income Taxation," in *The Taxation of Income* from Capital, A. C. Harberger and M. J. Bailey (eds.) Washintgon, Brookings, 1969.

[3] The rules for integration of pension plans with social security permit larger pension programs for high income individuals.

[4] Assume an individual is in a 70 percent bracket, has stock in a corporation that paid an average tax of 46 percent with no dividends. The earnings with respect to his stock are $100,000. The individual would report income of $50,000, on which he would owe $35,000 of tax. With the tax credit of half of 46 percent he could deduct $23,000 and owe $12,000.

[5] For a thorough treatment of this aspect of the tax system, see Stanley S. Surrey, *Pathways to Tax Reform: The Concept of Tax Expenditures*, Harvard Univ. Press, Cambridge 1973.

[6] For a basic discussion of incrementalism in budgetary matters, see Abram Wildavsky, *The Politics of the Budgetary Process*, Boston, Little, Brown Co., 1964; also Charles Lindblom, *The Policy-Making Process*, Englewood Cliffs, N.J., Prentice-Hall, 1968.

[7] G. M. Brannon estimates that at a price of $3.00, the tax benefits resulted in higher royalty payments of about $0.25 and lower consumer prices of $0.30, and additional U.S. consumption and production of 3 percent cf. G. Brannon. *The Role of Taxes and Subsidies in Energy Policy*, Ballinger, Boston 1974 (forthcoming).

[8] See, for example, Paul McDaniel, "Federal Matching Grants for Charitable Contributions: A Substitute for Income Tax Deduction," 27 Tax Law Review 377 (1972).

[9] PUBLIC FINANCE IN THEORY AND PRACTICE—Richard A. Musgrave and Peggy B. Musgrave—McGraw-Hill Book Company, 1973—p. 193.

UTAP–TIA: DETOUR FROM A NATIONAL TRANSPORTATION POLICY

The SPEAKER. Under a previous order of the House, the gentleman from Arkansas (Mr. ALEXANDER), is recognized for 60 minutes.

Mr. ALEXANDER. Mr. Speaker, while there has never been a time in the history of man when the technology of transportation is as advanced as today, our utilization of our transportation resources does not match our technology. We have a space-age technology and horse-and-buggy attitude. Instead of developing water, land, air and rail systems that interconnect, there is often duplication that reduces the potential of all systems to meet their best level of service. Even more importantly, some of the deficiencies of our earlier transportation patterns of land and rail have been compounded by air routes that serve the same land areas. What we have done in transportation is to remain slave to the plans developed when this Nation was first settled by travelers who had to rely first on water and then on natural land routes. The result has been areas that have been badly neglected, particularly in the quality of roads.

We all realize that where there is adequate transportation, an area thrives, and where there is limited transportation, the economy shrivels or never grows.

Many countryside areas are underdeveloped because they suffer from inadequate roads and limited rail or air service. Transportation is the catalyst which must be present for a small town to become a small city.

The deteriorating countryside transportation network has been directly linked with a number of undesirable developments in the Nation such as:

Outmigration from countryside to cities by persons seeking non-farm employment in industries and businesses which could not afford to locate in transportation poor areas.

Lack of economic and cultural development in the countryside resulting from difficulty of transporting goods and people within the regions.

Artificial shortages of food products, such as grain, caused by inability of farmers and elevator operators to get the crops moved to the cities—by truck, train, or barge.

Rapidly rising prices for food caused in good measure by difficulty of getting the products to market and the cost of transportation for them when they can be moved.

These troublesome trends, I might add, can be expected to become even more critical if the Congress fails to act on the transportation proposals before it now on the basis of national needs.

We have been looking backward in drawing our national transportation proposals and fumbling toward a national transportation policy. Even worse, we have been concentrating the greatest percentage of our efforts on high density areas. Instead of developing a transportation system which most effectively uses highways, railroads, inland waterways and air lanes to reach into the heartland, we have built bridges between highly populated areas providing only limited service to the land and people in between.

Recent hearings by the House Subcommittee on Rural Development, of which I am chairman, clearly demonstrate the wrong roads we are traveling in our efforts toward a national transportation policy.

The consensus among congressional and public witnesses who testified at these hearings was that current transportation proposals, specifically the Transportation Improvement Act—TIA—which has the potential for spurring railroad track abandonment in rural areas; and the United Transportation Assistance Program—UTAP—which would reduce by $100 million funds for countryside highways, are detrimental to the countryside, indeed the entire Nation. To fully understand the potential impacts of these pieces of legislation, we first have to look at the situation as it now exists.

First, of the existing countryside highway and road mileage only 14.2 percent is rated for heavy load bearing capacity. Meaning, that 85.8 percent of the road system can not carry heavy trucks—much of it not even 10 tons, much less the 40,000 pound trucks which are coming into ever wider use—without severe damage, if they can carry them at all. And, even if the roads were there, the trucks are not available.

Second, under the interpretation of the Federal Highway Act of 1973 by the Department of Transportation and the Office of Management and Budget, approximately one-half of the routes on the Federal Aid Secondary Highway System could be eliminated by 1985, through "realinement." It is estimated that 4,250 miles in Arkansas will be removed from the secondary system. The remaining secondary mileage and that in the primary FAS will have to compete with cities of 5,000 to 50,000, if UTAP becomes law as proposed, further reducing the probability of an adequate highway network being developed in the countryside.

Third, the Nation has already lost 46,000 miles of railroad through abandonment. We have 205,202 miles left. In

the 1972 National Transportation Report the Department of Transportation said:

Analysis indicates that a high traffic density network of approximately 30,000 miles could handle the Nation's rail freight demand. (Page 257.)

This is an even more stunning figure than that appearing later in the work suggesting that:

78,000 route-miles—37.5 percent of 207,000 route-miles—of today's system might potentially be subject to abandonment. (Page 269.)

And, under questioning before my subcommittee DOT officials said they simply cannot tell us how many miles will be abandoned under TIA—even though at one point they were predicting 21,000 miles and saying all the affected towns and cities along the way now have adequate highway and/or waterway freight systems.

Fourth, inland waterways, though they are a vital element in our National transport system, just simply are not readily available to many parts of the Nation—particularly in the land between the Rocky Mountains and the Mississippi River where a vast portion of our Nation's food supply is produced.

Finally, TIA takes away rail service from the countryside at the same time that UTAP would make it financially impossible for States to upgrade the highway system, or the Nation to expand the inland waterway system rapidly enough to fill the freight and people transport gap created by the fleeing railroads.

I have urged my colleagues to consider the catastrophic consequences for the cities, indeed for the Nation as a whole, if the food and fiber distribution system in the countryside breaks down for lack of adequate transportation resources.

There is no such thing as a road that leads to nowhere—once you build a road, then nowhere becomes somewhere. Our isolationist transportation policies will eventually lead to starvation in the cities which will not be able to get the food produced in the countryside. We must therefore respond with a strong national transportation policy that takes into account the interdependence of the cities and the countryside.

GRACE B. McDONALD

The SPEAKER. Under a previous order of the House, the gentleman from California (Mr. EDWARDS), is recognized for 20 minutes.

Mr. EDWARDS of California. Mr. Speaker, Thursday, April 18 will be a very special day for a very special person in Santa Clara County. Grace B. McDonald, who for the last 33 years has been the executive secretary of California Farmer-Consumer Associates, Inc. and the unpaid editor-publisher of its monthly newsletter, the Farmer-Consumer Reporter, will celebrate her 85th birthday.

To say that Grace has devoted almost all of her 85 years toward such goals as occupational protection for laborers, protecting the interests of small farmers, encouraging the development of consumer-owned enterprises, and promoting the general welfare of all, is not to overstate the case.

Grace's exposure to and awareness of the problems of others began when, at the age of eight, she accompanied her doctor father to the New Haven, Conn., hospital and became acquainted with the patients of the terminal ward at the hospital. The compassion and concern she expressed in these visits—reading and talking to patients, playing games, and sometimes just listening to complaints—have become the hallmark of her lifelong career of social and community activism.

Among her early influences were Jane Addams, fighter for social reform and founder of Hull House, and Jacob Riis, who wrote "How the Other Half Lives."

After World War I, Grace finished her studies at Columbia and the New School of Social Research, and took a job in a sweat shop making men's clothes.

It was not long before she was working for the Joint Board of Sanitary Control, set up by a committee of employers and a local of the International Garment Workers Union, to discuss occupational hazards and employee protections.

This led to the establishment of the first Union Medical Department in the Nation and was the forerunner of the Workers Health Bureau started in 1923 by the New York Painters District council.

The Workers Health Bureau, in cooperation with health specialists, insurance companies, and the American Association of Architects, set up the first national safety code in the building industry, adopted in New York, many other States, and Canada. Many of the standards established in this code were incorporated in the Occupational Safety and Health Act of 1970.

By 1936, in the midst of the Depression, Grace moved on, first to Chicago, and then to Santa Clara County, where she became active in building the California Committee for Political Unity. This urban-rural coalition made possible the election of reform Governor Culbert Olsen and won major changes among State and Federal legislators. Later Governor Olsen appointed Grace as a member of the State Board of Agriculture.

The California Farm Research and Legislative Committee—now Farmer-Consumer Associates, Inc.—was created in February 1941 when Santa Clara County prune and apricot growers banded together to forestall the economic disaster threatened by Hitler's submarine blockade of Northern Europe, their principal export market. They were joined by other California growers, and their campaign for Federal purchase of tons of unsold fruits was supported by the entire California delegation and the State legislature.

The coalition consisted of the grange, the farm bureau, organized labor, cooperatives, chambers of commerce, and State and local government officials. The success of its efforts led to involvement in other major farmer-consumer issues, specifically the preservation and enforcement provisions of the reclamation law which specify a 160-acre limitation on individual ownership, and municipal ownership of utilities, such as electric power agency owned by Santa Clara, Grace's hometown.

But this just touches the surface of Grace's involvement in issues on a local, State, and national level. Over the years the Reporter has highlighted problems ranging from workmen's compensation, pension reform, and the problems of the elderly, to protection of the civil rights and civil liberties of Japanese Americans, repeal of the detention camp provisions of the Subversive Activities Act, and freedom of the press. In 1951 during the height of the McCarthy era, the Reporter published a special supplement urging California farmers to know and exercise the Bill of Rights.

I would like to add a personal word about Grace McDonald. She is a woman of great courage, determination, and experience. She is particularly proud of the valuable historical data she has gathered since 1937 on California water and power rights, perhaps the only collection in existence. And upon her announced retirement, she immediately indicated that her vast collection of research on hundreds of issues would be available to supporters and subscribers of the Reporter.

It is typical of Grace that she should set such great store in the Reporter, while all the rest of us know that if it were not for Grace herself many of the accomplishments of Farmer-Consumer Associates, Inc., and its forerunners never would have occurred.

Although Grace would not approve of the "fuss," her friends are gathering for dinner on April 28 to give testimony to Santa Clara Valley's most outstanding citizen. It is a tribute that is well-deserved and long overdue. At this time I want to extend my own admiration and appreciation for Grace. She is a woman without peer in her energy, perception, and determination to promote the common good, and we owe her more than anyone could ever say.

Mr. McFALL. Mr. Speaker, it is a special privilege for me to join my colleagues in extending best wishes to Mrs. Grace B. McDonald, the executive secretary of California Farmer-Consumer Associates, Inc., who is observing her 85th birthday.

I have known Mrs. McDonald for many years and have been impressed with her unceasing efforts, which span many decades, to improve the conditions of all people.

Mrs. McDonald's unceasing perseverance in support of the numerous humanitarian causes for which she has worked is well known.

In the truest spirit of giving of one's self, Mrs. McDonald, during the years has proven to be a true friend of the working man and woman, the small farmer, and the consumer. Her work has touched the lives of millions of our citizens. Our State and Nation are indebted to Mrs. McDonald.

Though I will be unable to attend the testimonial dinner for Mrs. McDonald in San Jose on April 28, I still would like to join her many friends and colleagues in wishing her the happiest of birthdays and best wishes for many others.

Mr. SISK. Mr. Speaker, I am honored

to join in a salute to Mrs. Grace B. McDonald, everyone's advocate for almost all of her 85 years. She reaches this plateau in life April 18, and will be honored at a testimonial dinner in San Jose, Calif. April 28.

At times, I suppose, some of what Mrs. McDonald extolled caused some to believe she was a devil's advocate. But what was then considered revolutionary or even extraordinary has proven in many cases to be envisionary.

But Mrs. McDonald, who I have come to know and highly respect over the years, has been active as an advocate for labor, for children, for social reform, for political change, for farmers, or, more simply, for people.

She knitted together the California Farm Research and Legislative Committee to handle a problem of crop surpluses just prior to World War II, held it together when the problem eased, then changed the name of the group to the California Farmer-Consumer Associates. To accomplish her very worthwhile task she pieced together a coalition of organized labor, the grange, the farm bureau, agricultural cooperatives, chambers of commerce, and State and local officials.

Mrs. McDonald has retired as the nonpaid reporter-editor-publisher of the California Farmer-Consumer Reporter, and this will be missed. But she also has promised those of us who know and value her counsel that she will not allow her retirement to interfere with her work as an advocate for the people. This, we appreciate.

Mr. WALDIE. Mr. Speaker, I wish to thank my colleague from California (Mr. EDWARDS) for allowing me a short moment to join in the praise of Grace B. McDonald, one of California's most distinguished and effective voices of the small farmer and the consumer.

I have had the distinct pleasure of having communicated with Mrs. McDonald over the past years, primarily in connection with my own efforts to thwart the giant conglomorate farm corporations that have every intention of squeezing out the small and medium-sized grower and rancher in California.

Her own crusades on behalf of the 160-acre limitation and the small farmer are still going on in California.

The day will come, Mr. Speaker, when the objectives she has sought over the years will come to pass and her efforts on behalf of all of California and the Nation will earn her the place in history she so richly deserves.

Again, Mr. Speaker, I want to thank Congressmen DON EDWARDS, who represents Mrs. McDonald's home city of San Jose, for the opportunity to join with him in honoring Grace B. McDonald on her 85th birthday.

Mr. DELLUMS. Mr. Speaker, I am proud of being able to join in the many voices of praise for Ms. Grace McDonald.

Grace McDonald represents the epitome of the public citizen.

Thousands of persons throughout the Nation have benefited because of the strenuous—often thankless—struggles maintained through decades by Grace McDonald and the California Farmer-Consumer Associates.

And if we are to bring about improvement in this Nation, it will be because of persons such as Grace McDonald, citizens who have the perspective that only through a coalition of efforts can gains be accomplished.

Grace McDonald is a great American—a tribute which can never be made lightly. Yet, I hope that what Ms. McDonald has done—and will continue to do—must not be seen as the example of what one dedicated person can accomplish—and then forgotten. It is up to us to continue that work, and as we do that, I am sure that Grace McDonald herself will realize that her impact has spread, and that her greatest honor will be that we will all strive to gain the objectives she has so beautifully established for us.

And so, I thank the gentleman from California (Mr. EDWARDS) for bringing before the Congress this tribute to one of California's most honored and fine citizens.

Mr. McCLOSKEY. Mr. Speaker, I am pleased to join in honoring Mrs. Grace B. McDonald, for her lifetime of dedicated effort on behalf of humanitarian causes.

From her involvement with Jane Addams' Hull House at the turn of the century to her leadership in the Farmer-Consumer Associates, Inc. Mrs. McDonald has contributed to the improvement of the social and economic circumstances of her fellow citizens for over 70 years.

Mrs. McDonald's life is an example to all of us, and confirms the sometimes forgotten truth that one person can be effective in making our country a better place to live. As her 85th birthday approaches, I feel privileged to add my own expression of respect and affection to those voiced by citizens, great and common, throughout her community and indeed from around the Nation.

Mr. JOHNSON of California. Mr. Speaker, it is with great pride that I rise today to pay tribute to an old, old friend, with whom I have worked for more than three decades.

In a few days Grace B. McDonald will celebrate her 85th birthday. For those of us who have known her so long we find it hard to believe that this vitalistic, active young woman has been carrying on the battle for more than fourscore years.

When one says that Grace McDonald has been a lifelong fighter for the good of mankind we really mean it. For 33 years Mrs. McDonald has been executive secretary of the California Farmer-Consumer Associates, Inc., and without pay has edited its monthly newsletter The California Farmer-Consumer Reporter.

The fact that Grace McDonald started a new career at the age of 52 should be worthy of recognition in itself but Grace started her battle for people at the age of 8. It was at that young age that she first visited the terminal ward of a New Haven, Conn., hospital and became aware of the needs of patients—the friendliness, companionship, and just for someone to listen. At the age of 11 she was orphaned and has been fighting ever since.

As a teenager early this century she followed in the footsteps of Jane Addams in New Haven where she is a graduate of Yale University. With her husband and Louis Brandeis, Grace McDonald started the first "Peoples Lobby" in Washington, D.C. She has fought many battles, attacking the sweat shops of the garment industry working for adequate health protection for them and others in organized labor, such as painters, and fighting for research and definition of all types of occupational diseases.

Mr. Speaker, we have discussed frequently in the last few months cases of lead-based paint poisoning. Grace McDonald started fighting that battle as a member of the Workers Health Bureau in New York City in 1923. She has never hesitated for a moment in working for the jobless, for the ill, for the elderly or any individual or group who needed a friend.

As she approaches her 85th birthday may I take this opportunity to wish her many happy returns and urge her to keep up the good fight.

Thank you.

JOHN DEAN—A FRAIL REED

The SPEAKER. Under a previous order of the House, the gentleman from Louisiana (Mr. WAGGONNER) is recognized for 10 minutes.

Mr. WAGGONNER. Mr. Speaker, for the past year the Nation has been subjected to one of the most agonizing ordeals in its 200-year history as a storm swirls around the office of President resulting from questions being raised about the present occupant's integrity and credibility. A major source of these questions is the testimony of John Dean because he alone among the witnesses has pointed the finger of guilt at the President of the United States. Without his testimony, it is highly unlikely that the Nation would be locked in its present difficulties.

A cursory examination of Mr. Dean's testimony and conduct reveals that he is a frail reed upon which to base events that are possibly causing serious damage to the very fabric of our system.

First of all, Mr. Dean is a confessed felon having pled guilty to conspiracy to obstruct justice and has freely acknowledged before the Senate Watergate Committee that he was a central figure in an effort to cover up the Watergate burglary.

But beyond this confession of guilt, Mr. Dean's testimony leaks like a sieve. A key portion of his testimony is his charge that the President indicated knowledge of a coverup at a meeting on September 15, but H.R. Haldeman was also present and his contradiction along with the President's remains unchallenged by the Special Prosecutor, the Watergate grand jury, or anyone else even though other perjury charges were filed against Haldeman based on the contents of the White House tapes. Moreover, John Dean has allegedly changed

his own testimony on the critical question of when he told the President about payments to the original Watergate defendants. He originally claimed that he was "clear on the fact" that it was March 13, but apparently now agrees with others that March 21 was the date.

After originally claiming before the Senate Watergate Committee his innocence in the destruction of evidence, he has subsequently admitted to the Special Prosecutor that he shredded two notebooks from Howard Hunt's safe, according to the media.

If these facts are insufficient to be convincing that Mr. Dean has no credibility as accusor of anyone, let alone of a man who has demonstrated the integrity and character to be elected four times to National office, one should take a look at his recent testimony in New York.

After Dean testified to the culpability of Mr. Mitchell and Mr. Stans in this case of conspiracy to obstruct an SEC fraud investigation, the defense was successful in demonstrating that Dean had earlier assured the President that Mr. Stans would never "do a thing like that."

The salient question for Mr. Dean is, when did you start telling the truth? And the question for the Nation and the House of Representatives, are we prepared to use John Dean's discredited and shaken testimony as a cornerstone for something as drastic as impeachment of a President?

Richard Nixon is a man who has withstood the test of heated public scrutiny for over a quarter of a century and the people of this country have elected him President twice and Vice President twice. John Dean has no credentials, except that he is a confessed felon and it is time for these facts to be placed in perspective.

Mr. Speaker, I ask unanimous consent that a recent article in the Washington Star-News and a recent Evans and Novak column on this subject be inserted in the RECORD:

[From the Washington Star-News, Mar. 31, 1974]

IS DEAN TOO DEEPLY INVOLVED?

(By James R. Polk)

NEW YORK.—There are trouble signs for the Watergate prosecution in John W. Dean III's first tryout as a key government witness in the Mitchell-Stans trial here.

By the time Dean left the stand after three days of testimony last week, he had never wavered in his accusations against his Nixon political helpmates—but his story to the jury had been blurred by his own role as a White House handyman for cover-ups.

In the end, it may have been a case of a witness who knew too much, who was too deeply involved.

The White House tapes of Dean's talks with President Nixon were bared for the first time in a criminal trial, and the words stalked the witness. There was Dean assuring the President that fund-raiser Maurice H. Stans could ride out his troubles, warning Nixon that former Atty. Gen. John N. Mitchell was pressed by a runaway grand jury, telling the President that no one in the White House had done anything to help financier Robert L. Vesco.

None of this drama had much to do with the core of Dean's testimony here: That while he himself was still White House counsel, he had called the chairman of the Securities and Exchange Commission in the fall of 1972 at Mitchell's request to ask him to delay testimony that might have uncovered a $200,000 campaign donation from Vesco.

Mitchell and Stans, former Secretary of Commerce, are on trial on charges of conspiracy and obstruction of justice in that SEC fraud probe of Vesco after the secret $200,000 in cash was delivered to Stans in $100 bills stuffed in a plain white cloth bank bag.

With a studied calm and certitude, Dean described a series of phone calls to the SEC for Mitchell, and a New York meeting at which Stans told Mitchell that SEC official G. Bradford Cook "might be helpful" in dealing with a paragraph in the SEC case that could expose the money.

But, even when a verdict is returned in the trial three or four weeks from now, it may be difficult to measure how much of this was absorbed by the jury.

It was obvious that what Dean had to say for the prosecution didn't capture the attention of the court room as much as the echoes from the past on the White House tapes. And so the defense seemed to succeed in a classic tactic: Distracting interest from a witness' story with another drama of its own making.

Only portions of the written transcripts of two tapes were used in the trial, and Nixon's own reactions in those conversations were rarely learned. Most of the testimony was confined to Dean's confirmation of his own remarks to the President.

There was Dean discussing how to outflank the coming Watergate hearings in early 1973 by perhaps sending Stans' name to Capitol Hill for hearings on confirmation on some government post. Dean suggests it would pull the teeth of the other hearings and adds, "It confuses the public. The public is bored with this thing already."

There was a cryptic reference to the Vesco matter in which the President says, "Stans would never do a thing like that—never," and Dean agrees, "No, never," and Nixon comes back like the chorus in a musical comedy: "Never, never."

There was a conversation between Dean and the President only a half-hour after Mitchell has emerged from his first appearance before the grand jury here. Dean tells Nixon that Mitchell got "an incredible grilling" and goes on: "He said he never saw anything like it. Just totally without controls."

Nixon's response to that was not made public, but according to a source privy to the tape's contents, it was apparently noncommittal.

The sum of all this is that the jury may have heard so much about Dean's taped talks in the White House and his involvement in the Watergate cover-up that it overshadowed the simple thrust of his testimony against Mitchell and Stans in the alleged Vesco cover-up.

The defense led Dean through a litany of confession: He had pleaded guilty in the Watergate conspiracy to a one-count charge that embraced encouraging perjury by another witness, arranging "hush money" payments, telling one defendant to leave the country, promising clemency to another. Then there was added admission that he had destroyed evidence in the case.

Dean's performance here is considered a critical forerunner to his role as the key prosecution witness in the Watergate cover-up conspiracy trial in Washington against Mitchell and six others, including former White House aides H. R. (Bob) Haldeman and John D. Ehrlichman.

The Watergate prosecutor handling that case, Richard Ben-Veniste, was in New York for the first two days to preview the Dean performance, but U.S. District Judge Lee P. Gagliardi didn't want him to listen in the courtroom because the jury might recognize him.

Gagliardi warned Dean several times about volunteering explanations instead of answering questions simply and reminded him in stern tones that he was a lawyer who should know how to conduct himself on the witness stand.

Once when Dean said he only wanted to get the truth out, Gagliardi barked a sharp reprimand to him.

The defense in this trial has gone just half way. It has been cross-examining witnesses at length with the material the prosecution must furnish it on previous testimony before the grand jury and elsewhere. But it seems to have done very little homework on its own.

One of the questions to Dean about a Mercedes-Benz luxury automobile was based on a clipping of a Maxine Cheshire column; an attorney used a magazine gossip piece to ask Dean whether he was making money off a Watergate book—both questions got nowhere.

In the Watergate case in Washington, Dean could face a tougher grilling.

[From the Washington Post, Mar. 27, 1974]

SECRET DESTRUCTION OF HOWARD HUNT'S NOTEBOOKS

(By Rowland Evans and Robert Novak)

The question of whether John W. Dean III will be believed in the critical months ahead may depend less on what the White House tapes reveal than on how much weight is given Dean's failure to tell the whole truth to the Senate Watergate Committee last summer.

During that long, dramatic week over national television, Dean did not tell the senators that he himself surreptitiously destroyed two notebooks kept by Watergate conspirator E. Howard Hunt. The importance of this concealment is stressed in the current Atlantic Monthly by George V. Higgins, a former federal prosecutor in Boston and now a bestselling detective novelist.

Higgins writes of Dean: "He misled people about those notebooks, which will certainly oblige him to explain to some defense lawyer some day, in an actual trial, when it was, really, that this most important witness against the President started telling the truth."

In private, both the Watergate Special Prosecutor and the White House agree with Higgins. However, the prosecutors believe Dean's stunningly incriminating testimony against Mr. Nixon will be corroborated by the White House tapes in such detail as to make the Hunt notebook affair irrelevant. Whether it does may well determine the fate not only of those indicted in the Watergate cover-up but of President Nixon himself.

Until recently, debate over Dean's credibility centered on conflicting versions of the famous March 21, 1973, Oval Office conversation with the President. The tape recordings, all sides agree, indicate Dean confused the March 13 and March 21 Oval Office meetings in his sworn testimony. Even so, the actual transcript on March 21 may prove infinitely more damaging to Mr. Nixon than to Dean. In any event, one memory lapse confusing dates is unlikely to destroy Dean's credibility.

Far worse for star witness Dean are repercussions of what the then White House counsel did and said about the notebooks found in Hunt's White House safe after it was jimmied by the Secret Service on June 20, 1972, following the Watergate burglary. While handing over the other contents of the safe to acting FBI Director L. Patrick Gray, Dean kept the notebooks without mentioning their existence to Gray. He then slipped them into a folder containing his copy of Nixon's personal papers.

Dean may have forgotten this until January 1973, when he opened the folder and

found the notebooks. Whether or not their discovery was accidental, he promptly shredded them. Dean was then waist-deep in the Watergate cover-up and wanted at all costs to keep the notebooks out of the hands of government prosecutors.

What follows is less explicable. Fearful he was being made a scapegoat, Dean started to talk. But in telling and retelling his own lawyers about the contents of Hunt's safe, he never mentioned the notebooks. Nor did he mention them to the federal prosecutors. Under oath to the Senate committee last summer, he told of righteously rejecting John D. Ehrlichman's suggestion that he destroy the contents of Hunt's safe but—once more—said nothing of the notebooks.

It is inconceivable that Dean's remarkable memory had failed so completely. A more rational possible explanation: Dean, still seeking immunity from all federal prosecution in return for his testimony, was putting himself in the best possible light. To have admitted destruction of evidence before the Senate committee would have prompted hostile cross-examination from Republicans and undermined his efforts to go scot-free.

When Dean last October finally accepted a deal for a one-count guilty plea, he was still liable to perjury charges. So, in interviews with the prosecutors in November, Dean suddenly revealed he had destroyed the notebooks—a fact immediately reported to Judge John Sirica.

The White House has privately grumbled that Special Prosecutor Leon Jaworski should have sought Dean's indictment for perjury. In fact, since Dean himself had corrected his Senate testimony, chances of a perjury conviction were slight. And so impressed were the prosecutors by Dean's testimony that they were not about to destroy their star witness on a questionable perjury charge.

But Dean's lack of candor with his own lawyers, federal prosecutor and the Senate committee does not help make him believable. It suggests that John Dean is no angel and, even after deciding to make a clean breast of it, withheld important evidence to help himself.

Indeed, if Mr. Nixon had not made his fateful decision to record Oval Office conversations, the secret destruction of Howard Hunt's notebooks could have destroyed Dean's credibility. But the secret tapes, prosecutors believe, will compensate for Dean's follies.

GASOLINE CRISIS—FACT OR FICTION? PART II

The SPEAKER. Under a previous order of the House, the gentleman from New Jersey (Mr. FORSYTHE), is recognized for 5 minutes.

Mr. FORSYTHE. Mr. Speaker, on March 27, I presented to the House my findings on the gasoline "crisis." The data I had developed indicated that the total amount of gasoline available in the United States was 1 percent more than the amount available during February 1973. Further, according to industry spokesmen, the demand for gasoline was estimated to be only 1.3 percent greater than 1 year ago. Thus, the total shortfall appeared to be only 0.3 percent.

However, since I made that report, the final demand data for 1973 has been published, replacing the estimates on which I had based my previous calculations. The newly published data shows that for the entire year of 1973, gasoline demand increased only 0.4 percent—not the estimated 1.3 percent. Furthermore, data supplied by the Federal Energy Office indicates that monthly demand which began to fall dramatically during the last 3 months of 1973, continued to decrease during the first months of 1974. Thus, instead of the 0.3 percent shortfall in gasoline I reported for February, it now appears that the United States had between 1 percent and 4 percent more gasoline available during February 1974 than during the same month 1 year ago. But it is essential to remember that the validity of this data depends on consumer restraint.

I have recently been able to develop similar data for March 1974. This data serves only to heighten my concerns about the reality of the gasoline "crisis."

Availability of gasoline (barrels per day)

	March 1974	March 1973
Domestic refined product	5,983,250	6,103,750
Imported refined product	216,000	60,000
Total	6,199,250	6,163,750

This data shows that in March, 1974, the total supply of gasoline was approximately 1 percent more than that available in March 1973. And it is estimated that consumer demand in March 1974 had continued to decline and was somewhat lower than it was in February, 1974.

Thus, the question remains—if demand was somewhat below what it was 1 year ago and if supply was somewhat higher than 1 year ago—where was the "crisis?"

In my earlier statement, I pointed out that between December 14, 1973, and January 25, 1974, American oil companies increased the domestic production of oil by 157,000 barrels per day. Yet, beginning on January 25, domestic crude oil production began declining.

Production of domestic crude oil

Week ending:	Production—barrels per day
Dec. 14, 1973	9,072,000
Jan. 25, 1974	9,229,000
Mar. 1, 1974	9,166,000
Mar. 8, 1974	9,140,000
Mar. 15, 1974	9,085,000
Mar. 22, 1974	9,068,000
Mar. 29, 1974	9,041,000

As we can see, production has continued to decline during March—falling 188,000 barrels per day from the January 25 peak. Yet, I still cannot understand why the oil companies of America can only produce 9,041,000 barrels per day when 10 weeks ago they could produce 9,229,000.

Mr. Speaker, as you know, I have written to 25 oil companies as well as to the Federal Energy Office, demanding an explanation of these statistics. To date, I have received only a few responses. As soon as I have received replies from each company and the FEO, I intend to share the "explanations" with the House in the hope that they will assist the Members of this body in really understanding the situation as it now exists and in the hope that this understanding will lead to appropriate action by the Congress.

VETERANS SUFFER FROM HIGH COST OF LIVING

The SPEAKER. Under a previous order of the House, the gentleman from California (Mr. TALCOTT) is recognized for 5 minutes.

Mr. TALCOTT. Mr. Speaker, there is a serious problem facing millions of our veterans across the country. Many of them who are receiving compensation from the Veterans' Administration are suffering serious financial problems because the cost of living has climbed so rapidly over the past months, while there has been no adjustment in their benefits.

Last November the Veterans' Administrator suggested to the Congress that we act to grant an across the board 8 percent benefit increase to meet the rise in the cost of living. The House moved to meet the needs of our veterans by holding hearings and reporting a bill to the floor.

Last February 19 the House passed H.R. 12628 which grants an across the board cost-of-living adjustment of 13.6 percent. Two months later the Senate is still holding hearings on the advisability of this measure.

The House has done all it can to aid the veterans in this matter. In fact, veterans across the country would be receiving nearly $1 million per day if the House measure were already law. Veterans are being shortchanged while the other body considers the problem.

Mr. Speaker, I call on the Senate Veterans' Affairs Committee to meet their obligations to millions of veterans by reporting out a bill. Until they act veterans will continue to fall further and further behind.

THE CHESAPEAKE BAY COMPACT: A NEEDED EFFORT TO SAVE THE BAY

The SPEAKER. Under a previous order of the House, the gentleman from Maryland (Mr. BAUMAN) is recognized for 30 minutes.

Mr. BAUMAN. Mr. Speaker, one of the most productive and diverse bodies of water in the United States is the Chesapeake Bay. It is the largest estuary in the country with a surface area of more than 4,300 square miles. Maryland's portion of the tidal Chesapeake Bay includes an area of 2,475 square miles. It is fed by nine major rivers including its main source of water, the Susquehanna, as well as the Choptank, Nanticoke, Patuxent, Pocomoke, Potomac in Maryland, and in Virginia, the James, Rappahannock, and York Rivers. It includes 22 percent of the total area of Maryland and it is my great honor to represent the "Chesapeake Bay Country" in the Congress of the United States.

Today I am introducing legislation which will allow the States of Maryland, Delaware, and the Commonwealth of Virginia, as well as other States, to negotiate and enter into a Chesapeake Bay compact which will provide for joint participation by these States. Eventually this legislation looks toward a negotiated agreement among the States which will take effect only upon ratification by the legislatures of each of the respective States and approval by the U.S. Congress, as is required by the Constitution.

Mr. Speaker, I include at this point in my remarks a copy of this legislation including the names of its sponsors:

H. J. RES. 979

Mr. BAUMAN (for himself, Mr. BYRON, Mr. GUDE, Mr. HOGAN, Mrs. HOLT, Mr. MITCHELL of Maryland, Mr. BUTLER, Mr. BROYHILL of Virginia, Mr. ROBERT W. DANIEL, JR., Mr. W. C. (DAN) DANIEL, Mr. DOWNING, Mr. PARRIS, Mr. ROBINSON of Virginia, Mr. SATTERFIELD, Mr. WAMPLER, Mr. WHITEHURST and Mr. DU PONT).

Joint resolution granting consent of the Congress that the State of Maryland, the State of Delaware, and the Commonwealth of Virginia, and other States, negotiate and enter into a compact providing for joint participation in the more efficient use of the water of the Chesapeake Bay and its tributaries

Whereas, the Chesapeake Bay is one of the greatest national resources in the United States of America, continuously serving the people of Maryland, Virginia, Delaware, and other States of the Union, as an abundant source of seafood, recreation, beauty and enjoyment; and

Whereas, the Chesapeake Bay, the largest estuary in the Nation provides the livelihoods of thousands of people in the States of Maryland and Delaware, and the Commonwealth of Virginia, resulting annually in millions of dollars in wages and products; and

Whereas, the Chesapeake Bay serves as one of the world's major waterways, each year carrying millions of tons of waterborne shipping to and from all parts of the globe; and

Whereas, the productivity and beauty of the Chesapeake Bay area in recent years has been diminished and threatened by shore erosion, pollution, and neglect; and

Whereas, the population of the Chesapeake Bay area and the industrial and commercial development therein have expanded in the last decade, and are continuing to expand, increasing the demands for control and efficient Bay area management: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That consent of the Congress is hereby given to the States of Maryland and Delaware, and the Commonwealth of Virginia, and other States, to negotiate and enter into a compact providing for joint participation in the more efficient use of the waters of the Chesapeake Bay and its tributaries upon the condition that one qualified person appointed by the President of the United States shall participate in such negotiations as chairman, without vote, representing the United States, and shall make a report to the President of the United States and the Congress of the proceedings and of any compact entered into. Such compact shall not be binding or obligatory upon any of the parties thereto until it shall have been ratified by the legislatures of each of the respective States, and approved by the Congress of the United States.

Mr. Speaker, I want to express my sincere appreciation to my colleagues from the State of Maryland, the entire Virginia delegation and Mr. DU PONT of Delaware, who have joined together in bipartisan sponsorship of this legislation which could well act as a major step forward in preserving the Chesapeake Bay. Those of us in the House sponsoring this legislation who are privileged to represent districts including and bordering on the bay include as well as myself, Mrs. HOLT, Mr. DOWNING, Mr. WHITEHURST, and Mr. ROBERT W. DANIEL, JR. Since the preservation of the bay is a much larger issue, I am pleased to see that nearly every Member of the three-State delegation was willing to join me in sponsoring this legislation.

The Chesapeake Bay is many things to many people: To the waterman, a source of shellfish, finfish, and a means of livelihood; to the average citizen, a place for sports, boating, hunting, fishing, and recreation; to the biologist and scientist, the world's largest underwater farm and laboratory; to the contractor and developer, 3,000 miles of prime shoreline and a source of building materials including sand and gravel; to the industrial developer, a key attraction for the location of heavy basic industry; to the shippers, a major water course for world and American water transportation, and to the people who live on its shores, one of the most beautiful bodies of water in the world and, in fact, a state of mind.

With all of its great utility and beauty, the Chesapeake Bay has nevertheless suffered at the hands of man. The modern age has brought with it a whole range of problems which threaten the bay; pollution, erosion, siltation, dredging, and all the problems associated with rapid development along its shores and those of the rivers which feed the bay. The individual States concerned are trying individually to cope with these problems, but the time has come for a broader effort to preserve and protect one of America's most valuable aquatic resources.

Last year an extensive report, "The Maryland Chesapeake Bay Study," was prepared for the Maryland Department of State Planning. One of the alternatives discussed for proper management of the bay's resources was the suggestion for a Federal-interstate compact including the States of Maryland, Virginia, and Delaware. The major advantage of such a compact is that the commission which would eventually be created to administer interstate jurisdiction would have the power to coordinate the numerous programs and policies in which each State is engaged in an effort to preserve the bay.

I want to emphasize that this legislation does nothing more than grant the consent of Congress to a possible eventual agreement between the States. I fully realize the difficulty inherent in negotiating a compact which gives adequate powers to an interstate commission and is at the same time acceptable to the individual States. It is a fact that each of the States have a common interest in various aspects of bay management, but I also acknowledge the existence of disparate and competitive interests held by each State wishing to preserve the bay's resources within its respective boundaries exclusively for themselves and their citizens. It may take some time, once this legislation is passed into law, to negotiate such a compact and there will be many difficulties involved, but it would be tragic if we did not make the effort to save the Chesapeake Bay.

We have had some experience with setting up interstate compacts in order to coordinate activities aimed at preserving a valuable body of water. The Susquehanna River Compact has and will continue to make progress in cleaning up the stream which produces 49 percent of the fresh water entering the Chesapeake Bay.

But never before have we attempted to solve the problems of so large a body of water as the Chesapeake Bay through interstate cooperation. And yet, there can be no other effective way of doing so.

This legislation will lay the groundwork for such a step. It permits the creation of the compact, with a Federal representative to assist in its deliberations, but leaves the specific terms of the compact to negotiation among the States involved. This is as it should be. A project so large and complex ought not to be written into stone by Federal edict. Those who will be charged with the responsibility of drawing up and directing the activities of the new Chesapeake Bay Compact will need flexibility to adapt and change the directions of their efforts as time goes on. But the crucial first step will be taken with the passage of this bill.

I might add that the passage of this legislation fits together quite logically with the impending completion of the Chesapeake Bay hydraulic model located in Queen Annes County, Md., in my district. This model, which was first authorized by the Rivers and Harbors Act of 1965, will re-create in miniature, under the jurisdiction of the Corps of Engineers, the complete Chesapeake Bay and its tributaries. It will be used for massive research and to answer all manner of questions now unanswered in the scientific mind about the bay. The model was originally sponsored by my predecessor in Congress, the present Secretary of the Interior, the Honorable Rogers C. B. Morton. Secretary Morton has more than once paid tribute to my immediate predecessor in Congress, the late Bill Mills, who shepherded the bay model legislation through the Congress and was responsible for obtaining the current funding for its construction amounting to $4,350,000 in last year's budget.

I can think of no better way to employ the scientific information this model will produce than to create an interstate agreement amongst the affected States to carry out the recommendations that will be made concerning matters such as shore erosion, pollution, sedimentation and changes in the bay's ecology.

In recent years we have all come to realize that our natural resources are not things we can abuse with impunity. We have begun to take steps to preserve the clean lakes and rivers we have left and to restore to life those we have abused. The Chesapeake Bay, with the myriad of streams and rivers which feed it, with the varying degrees of development which have taken place along its shores, lies somewhere in between.

It is certainly not too late to save the bay from the fate which has afflicted Lake Erie and other similar bodies of water. We can do something about it, and it will take coordination and cooperation. This legislation will help provide that, and I am pleased to join with my colleagues to offer it today.

I urge that it be given the earliest and most earnest consideration by the Congress.

MID-DECADE SAMPLE SURVEY

The SPEAKER. Under a previous order of the House, the gentlewoman from

Massachusetts (Mrs. HECKLER) is recognized for 5 minutes.

Mrs. HECKLER of Massachusetts. Mr. Speaker, I wish to take this opportunity to announce that I am today introducing legislation which would provide for a mid-decade sample survey of the U.S. population.

There can be no doubt that the mobility of the American population effectively illustrates the urgent need for such a study. This bill would require a mid-decade sample survey in 1985 and every 10 years thereafter. The statistical data obtained shall not be used for apportionment of Representatives in the Congress nor would the results require congressional redistricting.

The current census programs furnish an indepth, detailed study every 10 years. Every person in the country is counted in these surveys. In addition, a monthly and/or annual population survey estimate is conducted in local areas on an ongoing basis. Though these programs have been adequate in the past, they no longer answer the needs of a society as mobile as America in the mid-1970's.

A substantial study is desperately needed which would be both more detailed than the frequent population estimates and less detailed than the current decennial census. A mid-decade census such as the one I am proposing would fill this void and thus provide timely and reliable data to be used in proper allocation of Federal moneys and projects. I urge my colleagues to give this bill the careful consideration it deserves and ask them to thoughtfully study its numerous attributes. A newspaper in my district, the Patriot Ledger of Quincy, Mass., recently wrote a very valuable editorial on the issue. I commend its reading to my colleagues.

MID-DECADE CENSUS

Back in 1970, the mid-decade census—having a federal census every five years instead of every 10 years—looked like a good idea whose time had come.

The Census and Statistics Subcommittee of the House Post Office and Civil Service Committee held hearings in September of that year, heard complaints about the 1970 census, and made one major recommendation—that the census should be conducted every five years. The panel's support for the mid-decade census was unanimous, and it also had the endorsement of the director of the Bureau of the Census and then-Mayor John V. Lindsay of New York City.

Dr. George H. Brown, then census director, noted, "In view of the growing importance of census-type information and the growing rate of change of our society, it appears that a census every five years is now appropriate."

And that's the point: rapid change outpacing the important statistical data the census provides. The census is more than a body count, important as that is. It relates to the political life of the nation in providing the data for drawing up congressional districts. It bears on the allocation of federal and state funds to communities, on business plans for plant location and market strategy, on economic planning and government policymaking.

But it wasn't until Aug. 3, 1972, that the House Post Office and Civil Service Committee reported out a mid-decade sample survey of population to be taken in 1975 and every 10 years thereafter, in a bill which also sought to protect the confidentiality of information provided by individuals during a census. That bill, however, expired without a House vote.

Last April, the committee tried again, but the bill was never granted a rule for House action because of opposition among the House leadership to the confidentiality provisions. Now the mid-decade census bill—without the confidentiality provisions—is back before the committee's Census Subcommittee, which has scheduled a markup session for this Thursday, after which the bill will go to the full committee and is likely to be reported out. (In the Senate, a bill introduced in January, 1973, by Sen. John Tower, R-Texas, for a mid-decade census has received no attention and has not been given a hearing.)

If there is to be a mid-decade census, and we think it would be valuable, Congress had better get going, for the mid-decade is only nine months away.

IMPARTIALITY IN IMPEACHMENT

The SPEAKER. Under a previous order of the House, the gentleman from New York (Mr. WALSH) is recognized for 5 minutes.

Mr. WALSH. Mr. Speaker, I have today introduced a resolution requiring all Members of the House of Representatives to take an oath before considering an impeachment resolution.

The oath says:

I solemnly swear (or affirm) that in all things appertaining to the Resolution of Impeachment of ——— ———, now pending, I will do impartial justice according to the Constitution and laws: so help me God.

There are some who should be disqualified from any impeachment vote because of their public statements about the guilt of the President. If grand jurors make up their minds in advance, they are dismissed. I think similar action should be taken in the House, which may act like a grand jury.

At the very least, all Representatives should be required to take this new oath of impartiality under the Constitution. Such an oath is required in the Senate before an impeachment trial, but the House rules are silent on the matter.

THE REVEREND DR. JOSEPH F. THORNING

The SPEAKER. Under a previous order of the House, the gentleman from Maryland (Mr. HOGAN) is recognized for 5 minutes.

Mr. HOGAN. Mr. Speaker, it was particularly fitting and proper that the Reverend Dr. Joseph F. Thorning offered the opening prayer in the House of Representatives today, for it was Reverend Thorning who, in 1944, with the bipartisan support of Members of Congress, established April 11 as Pan American Day in the U.S. Capitol. This celebration commemorates the political, economic and spiritual unity of the Americas based on the doctrine juridical equality and respect for the sovereignty of each.

Because of his demonstrated concern for the welfare of Spanish-speaking people and his knowledge of Ibero-American culture and language, he is widely known as "the Padre of the Americas."

Today, Reverend Thorning continues to serve the cause of inter-American friendship throughout the hemisphere. In August 1972, he participated in the World Council for Freedom Congress held in Mexico City. Reverend Thorning spent March 1972 delivering a series of lectures at several South American universities. During recent years, he coordinated cooperation between the Argentine Embassy, the Mexican Embassy, and Georgetown University. This resulted in two cultural programs: One in April 1972 commemorating the Argentine classic "Martin Fierro," and in the spring of 1973 featuring a presentation by the famous Mexican poet, Carlos Pellicer.

In this difficult decade, all of us throughout the Western Hemisphere must work together to attack our common problems and to shape our common future. Although we represent diverse societies, speak different languages, and pledge allegiance to more than 20 different flags, we have mutual hopes and mutual concerns. Through insight and understanding, we can become more than good neighbors—we can become true partners, as nations and as fellow citizens of the Americas.

Reverend Thorning, through his unstinting dedication and generosity, has helped to bring closer the day when this dynamic partnership can be achieved. It is appropriate that he is with us today.

FUNDS FOR ISRAEL IMPOUNDED

The SPEAKER. Under a previous order of the House, the gentleman from Pennsylvania, (Mr. EILBERG) is recognized for 10 minutes.

Mr. EILBERG. Mr. Speaker, more than 3 months ago the Congress appropriated $2.2 billion in emergency aid for Israel and the President signed the bill into law on December 26.

Of that $2.2 billion, $1.5 billion was to be in the form of a grant and the rest would be available as credits.

This money is to be used to help the Israelis replace the equipment they lost during the October war and to keep them on at least equal footing with their enemies.

But, the facts are, the money has been impounded. The administration has not released the funds to Israel.

Additionally, there are indications that the administration intends to evade the will of the Congress by making less than the stated figure of $1.5 billion in grants available in that form. Instead, it may force Israel to borrow much of this money which will increase the already staggering debt facing that nation—one of the few which pays its debts in full.

During the hearings on this legislation the Foreign Affairs Committee was told that nearly one-half of Israel's gross national product is spent on defense and

that her people pay taxes at the highest rate in the world.

The committee's report states:

The war dealt Israel's economy a heavy blow. About 25 percent of her work force is mobilized, with consequent effects in disrupting production. Her ability to earn foreign exchange is impaired. And, she is unable to return fully to peacetime pursuits until she has more assurance than now exists that hostilities will not break out again.

As we all know, these hostilities have, in fact, not ended, and the killing continues every day along the front with Syria and in the homes of innocent women and children, who were slaughtered last night by Arab terrorists.

The committee was also told by Deputy Secretary of Defense William P. Clements, Jr., that the Soviet Union is supplying arms to the Arab countries through "an absolutely open spigot."

While the committee states that the United States should not adopt the same policy of unlimited supplies it does say:

The committee is convinced, on the basis of both public and classified information available, that Israel must have substantial financial assistance to maintain the military strength needed for her defense and for the Middle East balance.

It is clear that we must supply Israel with the arms she needs and it is equally unclear why the administration has delayed in releasing the necessary funds.

I can only see one possible reason for this delay. The Syrians have demanded unilateral Israeli withdrawal to the boundaries established before the 1967 war. The only way such concessions, or for that matter any concessions on the part of the Israelis without similar moves by the Syrians, can be brought about is through threats by our Government to withhold the funds necessary to buy the arms Israel needs so desperately.

The administration must make its intentions concerning these arms clear at once.

It has had more than 3 months to make a decision and I believe it must follow the clear intent of Congress and release the $1.5 billion immediately.

A TRIBUTE TO ANDY YOUNG

The SPEAKER. Under a previous order of the House, the gentleman from Massachusetts (Mr. O'NEILL) is recognized for 5 minutes.

Mr. O'NEILL. Mr. Speaker, in this time of cynicism and antagonism toward politics and politicians, it is reassuring to see an able colleague receive the tribute he deserves. And it is even more reassuring just to know that there are young new Members of this Congress who do deserve such tribute. ANDREW YOUNG is certainly one of them.

Recently the Atlanta Journal and Constitution magazine carried a feature story of ANDY YOUNG. It cites ANDY'S courage and conscientiousness in the performance of his duties.

ANDY YOUNG stands out as an example to his colleagues. In confirmation of all the good things we already think of ANDY, I commend the Atlanta Constitution article to my colleagues.

The article follows:

THE PRAGMATIC POLITICS OF ANDY YOUNG

(By Phil Garner)

The United States House of Representatives went about its business as though impervious to the deep gloom that had settled in the city of Washington, D.C.

The ruins of careers in government service continued to be swept down the halls and off the streets; the President clung resolutely to the vestiges of respect for his office; columnist James Reston of The New York Times wrote, wearily, that the Enchanted City had become the Disenchanted City; long lines of idling cars waited at gasoline stations during the same early morning hour that energy czar William Simon appeared each day on NBC's Today show with his latest insights into how the energy shortage could be combatted; a local court enjoined the city from dumping any more raw human waste or even the "sludge" from primary treatment into the Potomac, and authorities worried as huge amounts of the material built up and officials of neighboring areas refused to have it disposed of in their territories.

The House of Representatives was preparing for a vote which would grant its Judiciary Committee unlimited subpoena power, thus authorizing a full-scale impeachment inquiry on President Nixon.

And Congressman Andrew Young, D-Ga., kept appointments in his office, waiting for a quorum call.

Washington, at this time, was hardly the ideal setting for an object lesson in how the democratic system could work for anybody and everybody. But Andrew Young's star was rising, nonetheless. When veteran congressmen, weary of criticism and wary of the legislative branch's becoming impotent before the power of the executive, looked about for heartening signs of continuing well-being, Andrew Young was likely to be among the new representatives to whom they pointed.

Said House Majority Leader Thomas P. (Tip) O'Neill, Jr., preoccupied with the tentative moves toward impeachment: "Andrew Young is easily one of the brightest freshmen to come along in my 22 years in Congress."

Young—a youthful-appearing 41, black, Southern, liberal, ambitious—brings out such expressions of fatherly warmth chiefly because he has grasped quickly the rules of what congressmen themselves refer to as "the game."

"Andrew Young has enough star quality to play the outside game if he wants to," said Rep. Morris Udall, D-Ariz., who runs the congressional school for new congressmen. "He could make public statements and play to public opinion and get attention. But he doesn't. He plays the inside game, works within the Congess, and does it very effectively."

Young's technique has been chiefly to avoid the appearance of doctrinaire politics, while fulfilling the promise implicit in his progression from black civil rights leader to U.S. congressman—the promise of effective representation for black as well as white citizens.

Young's office, on the fifth floor of the Longworth House Office Building, is crowded with the desks of staff members. The visitors' register reflects a predominance of industry and banking representatives over other special interests or tourists.

A nouveau art poster on the wall above the register quotes Anne Frank: "It's really a wonder that I haven't dropped all my ideals, because they seem so absurd and impossible to carry out. Yet I keep them in spite of everything. I still believe that people are really good at heart."

And from Albert Camus, on an opposite wall: "I should like to be able to love my country and still love justice."

The eye, moving around the walls of the outer office, is arrested by a large black-and-white photograph taped to a partition. In the picture Andrew Young, 10 years younger, more vulnerable-appearing, sport-shirted, singing, walks beside Martin Luther King Jr. and other singing blacks down the street of a small town past a Mississippi highway patrolman who holds a submachine gun propped on his hip.

Behind that, on the bookshelves of administrative aide Stoney Cooks, stand the books that have become the texts of self-imposed crash courses in the Young organization. Books on economics, banking, finance, world trade. Heilbroner is tucked away there, between two pedestrian studies from universities. Heilbroner is a basic text of undergraduates approaching the morass of the production, distribution and consumption of wealth. Young was appointed to he House Committee on Banking and Currency, considered a nice plum for a freshman, but out of his areas of specialization. The whole staff has been studying. Young has, on occasion, clipped the pages from Heilbroner and inserted them in the sheaf of papers he takes with him to committee hearings. His questions and comments are always considered informed and thoughtful.

Young, who spends nearly every weekend in Atlanta, had delayed his return until midmorning that Tuesday. A plastics company representative was his first appointment, an airlines man his second.

"The first year in Congress has been exciting," Young said after the men had left. "Something of major significance has been happening every week. But I've had to learn a lot. The reception I've gotten from other members of the House has helped a lot and the help they've given has really made the work easier.

"For the most part, the issues that I've been concerned with in Congress are the same issues that I've been thinking about for a long time, other than banking and economics.

"I really wanted to learn about economics and I've been working hard to do so. One thing I've learned is the golden rule: he who has the gold makes the rules. As a preacher I was weak in my knowledge of economics. But even so, I can pick up the phone and some of the best economists in the nation are willing to spend an evening with me. I had dinner recently with Gardner Means, the economist. There are people at the Brookings Institute and the World Bank, top-level people eager to share what they know with members of Congress. It's like being in school where you give the examinations to yourself. The Atlanta banks all have good research departments . . . I live in the same building with one of the governors of the Federal Reserve Bank, and he has given me a stack of books he recommended that I read."

Young credits whatever success he has had in playing the congressional "game" to the influence of what has come to be called "the Atlanta style"—the tendency of black and white Atlantans to work out their conflicts at the conference table rather than through public confrontations.

"The Community Relations Council in Atlanta and the Southern Christian Leadership Council both prepared me," said Young. "I was accustomed to talking face-to-face and getting problems solved and it works just as well for me here.

"During the Charleston hospital strike," Young recalled of his pre-legislative days, "things were at an impasse, so I picked up the phone and called the hospital administrator

and before we were through talking we had just about settled the strike. That's the same way things work in Congress."

Young's first direct influence on national legislation came at the six-month point in his career, in July 1973, when, with the help of Southern Republican congressmen, the House passed his amendment to the foreign aid bill. The amendment called on the President to determine whether any American aid to Portugal was being used to support military activities in Angola, Mozambique or Guinea-Bissau and, if so, to suspend American aid to Portugal.

But the biggest boost to his prestige among his colleagues was his speech from the well of the House in support of Rep. Gerald Ford's nomination as Vice President to replace Spiro Agnew.

Young risked, in that instance, a rupture of his relations with the rest of the growing Black Caucus in the House, but apparently emerged with his prestige further enhanced among liberals as well as moderates and conservatives.

The episode demonstrates vividly the lessons the freshman congressman has learned and the depth of his personal appeal to his fellow representatives.

Young's first public statement on Ford's prospective nomination was flatly negative.

"I've studied his record," Young told Atlanta Journal Washington correspondent Maurice Fleiss, in an article Oct. 1, 1973, "and I find it impossible to look the American people in the eye and say this man is the most qualified person for the Vice Presidency."

Young, reminded of that statement, smiled ruefully.

"I think that first answer I gave was a rather political answer," he said. "Gerald Ford had voted against everything I had been for. I found being around him a good experience . . . I began to think in terms of my own experience with Southerners and previous presidents, when they had a new constituency and that caused them to react differently. I decided that here was a guy I wanted to give a chance. He was certainly better than a Reagan or any of the other alternatives at the time. Besides, Atlanta was going to need to work very closely with the next administration."

Young's recollection of the circumstances of his first, negative comment on Ford is indicative of another developing facet of his increasingly pragmatic approach to politics—his relationships with the press.

"Somebody caught me after a speech and asked me what I thought about Ford," Young said. "I said I thought he's a good man but I would have to vote against him, that we needed some protest of his record—after all, he was no great savior of the poor and the black."

Being "caught" without a properly thought-out response to a question on an issue is a problem universally experienced by politicians. They understandably do not share the enthusiasm of most reporters for the first—and usually the most honest—reaction to a situation. But Young had become keenly aware of the desirability of controlling the flow of information about his contacts with either conservatives or ultraliberals. These contacts are necessary to get the job done, he believes, but he feels there follows no responsibility on his part to emphasize them to the constituencies of either party.

"Some of the people I disagree with the most are some of the people I have come to respect the most," Young said. "I can usually swing Democratic support, but unless you get Republican support, nothing happens around here.

"I'm not going to ask them (his ideological opposites) to do anything that's going to hurt them politically and they know better than to ask me."

Asked for examples of his dealings with congressmen of different ideology, Young grew cautious.

"I almost hate to mention it," he said. "If their folks back home knew it, it would hurt them."

Neither could such revelations do Young any good back home. Although no sinister compromises of integrity seemed to be going on, Young's staff let it be known early in his term that they were not especially interested in close coverage of his office by reporters from Georgia.

After Young was quoted calling Georgia state legislators who defeated endorsement of the Equal Rights Amendment "Neanderthals," a staffer telephoned a reporter, complaining that Young made the remarks in a speech to a small group, without knowing reporters were present.

The pitfalls of "being one's own man" are great as well in dealing with persons of like ideology.

"Nobody talked to me beforehand about my position on Gerald Ford," Young recalled. "It was always taken for granted that I would vote against him. When my staff found out what I planned to do, they raised the roof. I remember I was at dinner one night at the house of one of my staffers. Someone asked me if I were going to support Ford and I said I was thinking about it. The staffer's wife told me: 'You'll never eat dinner again at my house if you do.' "

The threat was half-joking and the fences are since mended. And it appears that Young's individuality has helped him more than it has hurt.

He recently was elected treasurer of the Black Caucus and continues to play a role of importance in that group that far exceeds the expectations attached to his relatively brief legislative experience.

Not a small component of his image as a "thoughtful" and "wise" politician derives from his past close association with the late Dr. Martin Luther King Jr.

Rep. Ron Dellums, D–Calif., a young black man elected from the Berkeley area, contrasted Young's reception by Congress to his own: "When I came here, I had all sorts of troubles. Everybody expected me to come marching in with bandoliers of bullets slung across my shoulders, waving a gun and screaming for revolution. That's the image that preceded me and I've had a hard time overcoming it."

And when a Dellums strikes off ideologically on his own, the reaction more often than not is negative.

"I've got more Jews than blacks in my district," Dellums said, "and I voted against aid to Israel during the Arab-Israel war. You think I didn't catch hell for that? I was voting against war, against more money for war, not against Israel or against Zionism, but few people saw it that way. But after that a conservative congressman came up to me and said, 'I don't agree with you on most things, but I admire your courage.' Bit by bit I'm overcoming a militant image that a person like Andy Young doesn't have to worry about."

Dellums, although he strongly disagrees with Young's vote on Ford (believing that a stand on principle was needed), has great admiration for Young and supports the growing belief that Young will become an even stronger leader in the Black Caucus and in the Congress generally.

"Out of all the people I've met nationally," said Dellums, "Andrew Young understands me better than anyone else. Andy spoke at a fund-raising dinner for me in Oakland during my campaign and afterwards people came up just glowing, wanting to meet him. They recognized that although we were from different parts of the country and had never worked together before, here were two young black men who perceived the same level of injustice in the country.

"Martin Luther King is my political mentor although I never met him in my life. And Andy Young has the same principles. Martin Luther King brings us together."

Dellums, like other blacks interviewed, characterizes Young as a valuable mediating influence in the Black Caucus, where discussions over stances to take on issues frequently become heated.

"Andy doesn't have something to say on every issue," said Dellums. "When he does, it's clear he's thought about it. He has this great ability to speak to the passions in the room."

Dellums does not believe that Young's vote for Ford, in the face of the opposition to Ford in the rest of the Black Caucus, has injured Young's influence at all.

"I think some people questioned it at first, but it didn't last very long when Andy gave his rationale," said Dellums. "I think everybody respected it although they didn't agree with it. While I disagreed with him, I admired his courage."

Young did not endorse Ford without reservation, however, warning in his speech that if Ford does not measure up, "I will be the first to criticize him."

"It took me a little while to work up the courage to go against all the people around me," Young recalled, during the interview. "I didn't even intend to make a big thing out of it."

His preferred method, he said, was "the Atlanta style."

Hesitantly, he recalled an example of that method.

"There was something needed for land grant colleges," ($300,000 he later revealed) "and the presidents of Albany State and Alabama A&M asked me to introduce an amendment to the appropriations bill sponsored by Jamie Whitten."

Whitten, a veteran, conservative Democrat from Mississippi, is a member of the House Appropriations Committee.

"I had sense enough to know I couldn't buck him and get an amendment passed," Young recalled. "So I went to him and talked to him about it. He didn't want me to introduce an amendment, but he made changes to get the colleges their $300,000."

At this point in the interview, Young had to answer the quorum call for which he had been waiting. His appointments schedule listed a visit later in the day from actress Jane Fonda, still actively campaigning for anti-war causes. He presumed the meeting would be private. He had never met Miss Fonda but had known her husband, Tom Hayden, from the days when Hayden was a young journalist covering civil rights activity in the South.

A quick photography session after the meeting was suggested.

Young smiled knowingly.

"I don't think the folks back home would like that so much," he said, leaving for the floor of the House—and the vote on subpoena powers for Presidential records.

A survey of other colleagues of Young produced solid expressions of admiration. Among those whose offices were asked for appointments, only that of Whitten failed to schedule the time.

Rep. Shirley Chisholm, D-N.Y., who had a reputation as one of the most frequent players of "the outside game," had lavish, almost gushing praise for Young.

"I'm one of those persons who believe that Andrew Young is going to be one of the great black leaders in the nation," said Mrs. Chisholm. "He is a cool, calm, meditative human being. He's a great conciliator and mediator. He remindse me so much of Dr. King in terms of personal attributes, you know, this business of really loving your neighbor. Andy operates on the basis of what his conscience tells him to do."

Thinking back on Young's vote on Ford, she said, "When all the rest of us went in

the other direction, Andy went to the well of the House. That shows leadership. He must have know the effect it would have on his fellow conferees in the House.

"In the Black Caucus, Andy will sit and listen, then in a very cool way will kind of get all of us together. I hope some day he will be chairman of the Black Caucus.

"Andy is one of the black male politicians whose ego is very much intact and he has so much compassion for the other politicians, male and female alike."

Rep. Richard Bolling, D-Mo., in Congress since 1948, member of the House Committee on Rules and the Select Committee on Committees of the House, is an outspoken advocate of reforms which would strengthen the power of the legislative branch. He is also the author of "House Out of Order," and "Power in the House," critical studies of the House of Representatives often consulted by freshman congressmen.

"What I have to say about Andrew Young may sound a little extravagant," said Bolling. "But he's one of the dozen finest persons I have known. He's my idea of what a good politician should be. He has a real feel for people as individuals and people as a group."

Young's standing with fellow blacks and liberals remains solid, Bolling feels.

"It's my impression that except for the few doctrinaire people, the blacks and liberals understand that there is room for a variety of views," he said.

"One of the things I like about Andy is that he's willing to be a minority of one but he doesn't make a fetish of it.

"And he has enormous dignity. One time we were having a fight in the House over a bill and I was presiding. I asked him to speak for the bill. He thought it over and he came back to me and said he'd rather not, he didn't think he should. When I considered it, I had to agree with him. He was right."

Rep. Morris K. Udall, quoted earlier on Young's "star quality," is impressed with Young's ability to influence colleagues.

"Andrew Young is one of the real gems of this new crop," Udall said. "He's done as well in the first year as anyone I've seen in the past four years.

"You judge a new congressman on two or three different levels. There are people who have been here 20 years and still can't influence a single vote.

"But Andy has the reputation already that on sensitive issues or on social problems, he's the guy to talk to. He's not a doctrinaire black liberal, but he talks the language of the white liberals. He's looked to as one of the sensible voices in the Black Caucus.

"I judge secondly on his homework for the subcommittee hearings. He always comes prepared.

"A third consideration is a representative's influence outside Congress. Andy is looked up to by blacks in all the colleges, where 10 years ago it was the Stokely Carmichaels that black students were taking for models.

"I credit this to Andy's closeness to Martin Luther King and his battles in the power struggles in Atlanta."

Young's support of Ford, said Udall, did him nothing but good.

"It had a good effect on his image," said Udall. "Especially among the moderates who make up the bulk of Congress. That vote stood him in good stead. It said, 'I don't just vote the militant liberal line.' "

Young also especially endeared himself to Udall by agreeing to join an abortive coalition which attempted to forge a compromise on pending, tough anti-busing legislation.

In the last days of the 1973 session, Udall and another highly regarded Democratic congressman, Richardson Preyer of North Carolina, introduced a bill drafted by Alexander M. Bickel of Yale Law School, seeking gradual integration in local schools without court-ordered busing and with a minimum of federal coercion. It generated no interest.

That summer the two sought Republican support and also recruited two young members of the Black Caucus—Rep. Barbara Jordan of Texas and Andrew Young.

On July 31, the six Congressmen in the coalition, including Young, signed a statement that, although opposing anti-busing legislation and supporting the objectives of integration, complained about "disruptive judicial interference."

NAACP lobbyist Clarence Mitchell attacked the suggestions in the statement as regressive.

When a conference of distinguished civil rights leaders, called by Young in August, failed to support the direction the coalition was taking, Young and Miss Jordan deferred to their judgment and, in effect, left the coalition.

But Udall remembers that Young had the courage to stand on his own convictions.

Majority leader Tip O'Neill also expressed admiration of Young's courage to follow his personal beliefs.

"I know some of the pressure he was under on the Gerry Ford vote," said O'Neill, "because I had some myself, but it wasn't half as much as he had. It took courage to do what he did, but his explanation was beautiful. He said he had faith and hope that Gerry would do the right thing as Vice President. I've known Gerry for two decades and I know Andy's judgment will be confirmed."

Because of such performance, said O'Neill, "Andy is known as a man who bears listening to . . . The Democratic leadership counts on him."

Young attended the impeachment subpoena vote, but did not speak to the measure. ("He doesn't like to get involved in things unnecessarily," said an aide).

When he returned to his office, Jane Fonda and Tom Hayden were waiting. The three talked for about 30 minutes behind the closed door of Young's office. Miss Fonda was making the rounds of Congress, supporting a cutoff of funds to the South Vietnamese government because of its continued incarceration of political prisoners.

Suddenly, the door opened and Young walked briskly out—alone.

A photographer, who had been waiting all the while for a chance at Young and Miss Fonda, stirred and fidgeted with his camera.

Young strode toward the hall door.

"Were you waiting for me?" he asked, nearly into the hall.

Confusion reigned.

"Well, then, I'll be back in a few minutes." He left.

In about five minutes, Miss Fonda and Hayden strolled out of Young's office, said goodby to the staff, and left.

The sensibilities of the home folks had been protected.

MINERAL COUNTY, W. VA., WILDLIFE ASSOCIATION, INC.

The SPEAKER. Under a previous order of the House, the gentleman from West Virginia (Mr. STAGGERS) is recognized for 5 minutes.

Mr. STAGGERS. Mr. Speaker, for several years it has been my honor and pleasure to be a member of the Mineral County Wildlife Association in my hometown of Keyser, W. Va.

Our group and others are all working to preserve nature with its wild plant and animal life for the enjoyment of present as well as future generations.

Today I take even greater pride in my local association—with the announcement by the National Rifle Association of America that our Mineral County Wildlife Association is the winner of the overall category in the 1973 NRA Club Achievement Award.

The Mineral County Association has busied itself in promoting West Virginia's natural wonders and beauties. It has made itself a guardian of the Potomac River, fighting off the contamination which is a constant threat to its purity. It helps to set aside wilderness areas, lay out trailways, mark historical spots, and has set up a project to control forest fires.

In 1973, and previously, the chapter organized and conducted most interesting exhibitions. On display were private and public collections of mountings of wild animals, including a Kodiak Alaskan bear; an American Indian art show of artifacts dating back before Christ; and modern paintings from wildlife artists.

MINERAL COUNTY, W. VA., WILDLIFE ASSOCIATION

There were other collections of ancient weapons, including the bow and arrow and muzzle-loading rifles. Skilled marksmen engaged in contests to show the efficiency of these arms. Of particular interest was a trapping mechanism which eliminates the inhumane cruelty of the steel trap.

The exhibits attracted thousands of interested spectators and have done much to arouse sympathetic interest in outdoor life.

Again I want to say how proud I am to be an active member of the Mineral County Wildlife Association, and take part in as much of its activities as I can. My sincere congratulations to its award-winning performance for 1973.

I am including the announcement of the award signed by Maj. Gen. Maxwell E. Rich, executive vice president of the National Rifle Association of America:

NATIONAL RIFLE ASSOCIATION OF AMERICA,
Washington, D.C., March 7, 1974.

Mr. JOSEPH R. MCGEE,
President, Mineral County Wildlife Association, Inc., Keyser, W. Va.

DEAR MR. MCGEE: I am pleased to tell you that the Mineral County Wildlife Association Inc., is the winner of the Overall category in the 1973 NRA Club Achievement Award. A list of other winners is attached.

All of us are impressed with the progress that has been made by the Mineral County Wildlife Association, Inc. I know that all of the members of your club are proud of their achievement.

NRA will present a plaque to a representative of your club at the members session of the NRA Annual Meetings in Atlanta, Georgia at the Grand Ballroom on Saturday, March 23, at 7:30 p.m. In addition to the Overall Winner's plaque, the NRA will reimburse your club representative for actual

cost of public transportation to and from Atlanta (or 12¢ per mile for use of personal automobile except that the total of all travel expenses may not exceed the round trip cost of public transporation). Reimbursement for room, food and all other out-of-pocket expenses will be made, but not to exceed $25.00 per day.

Please let us know as soon as possible who will be present to accept the award. Enclosed is a voucher form for use in submitting a request for reimbursement of Annual Meeting expenses.

I look forward to seeing you at the Annual Meetings. Congratulations.

Sincerely yours,

MAXWELL E. RICH,
Major General (Retired),
Executive Vice President.

THE FARMERS SIDE OF THE FARM SITUATION

The SPEAKER. Under a previous order of the House, the gentleman from Iowa (Mr. MEZVINSKY) is recognized for 5 minutes.

Mr. MEZVINSKY. Mr. Speaker, lest anyone still concur with Mr. Nixon's unfortunate statement some weeks ago that "farmers never had it so good," I would like to submit for the RECORD a few excerpts from some of the scores of letters I have received from farmers in the First District of Iowa since the President's Houston press conference.

As one farmer puts it, going right to the heart of the matter:

> It takes a lot more than one or two better years on the farm to overcome the agonies of a dozen or more poor ones we had before.

There is no dispute that 1973 represented a "better" year for the Nation's farmers, but it is important to remember that some of the statistics can be misleading. Farmers never saw those $12 per bushel soybean prices, for instance, that stirred up the commodity exchanges last summer.

This year is not making itself out to be a boon year. The rising costs of almost everything that goes into farming are eating away at potential profits at an alarming rate and farmers face shortages almost everywhere they turn.

As most of us are aware, the most pressing problem right now is fertilizer to insure those bumper crops that we are counting on. A 15-percent shortage of fertilizer will knock corn production 25 million tons below our needs, even with new acreage in production. USDA still contends the shortage will be only 5 percent, but letters from Iowa suggest a much greater shortage.

A few lucky farmers in the First District were able to put down a lot of their fertilizer last autumn or have aggressive suppliers who are able to get their adequate amounts of the fertilizer they need. But most of the farmers I have heard from are going to be caught at least 25 percent short; some will get only half their need; a few write, "There is no fertilizer, period."

For many farmers, the fertilizer shortage is not as alarming as the skyrocketing cost. Some are paying 100 percent more for fertilizer than they did last fall. Anhydrous ammonia is up from $40 per ton a year ago to between $160 to $195 per ton today.

One First District resident told me: "If it goes much higher, I won't use any at all."

I am told that on the black market anhydrous ammonia is being offered for about $300 a ton, but there are few takers at that price.

Recently, an Iowa State University extension farm management specialist calculated that it takes $50 more per acre to raise corn now than it did last year; $35 extra for each acre for soybeans.

In addition to the cost and short supply of necessary fertilizer, this problem is complicated by the transportation problems that make it difficult to get the needed materials into the Corn Belt. And of course, this is not the only problem area staring at our farmers.

Farm machinery is back-ordered with deliveries expected a year or more in the future. Parts for old machinery are often hard to find and like everything else carry a heavy inflationary price tag. Baling twine for hay is four to five times what it was a year ago, as one farmer points out in one of the following letters.

The undercurrent of all the letters I have received about farm shortages is that the No. 1 shortage on the farm this year is going to be a shortage of profits.

The problems facing our farmers today demand our attention and that is why we must listen to their side of the farm situation story.

A farmer from Washington, Iowa, wrote the following concerning the precarious fertilizer situation as it affects him and his neighbors:

> On the fertilizer situation, I don't think we really know what is going to happen. Our dealer has taken our order and I believe he thinks he can supply us at least nearly all we need, but we don't actually have it here on the farm. He had felt fortunate because he had purchased a large amount of anhydrous ammonia early and felt he would have an adequate supply. Many dealers offered to buy his supply from him for huge profits but he knew that to stay in business, he would have to supply his customers. Just yesterday, I understand, he was notified of a 16% cut in his expected supply. Maybe we are not in as good a position as we thought.
>
> Liquid nitrogen is very short here. Our dealer has geared up more for liquid the last few years because it seemed farmers were going more to liquid since it is easier to handle than anhydrous and not as dangerous. Now, when it appears most will have to use anhydrous, he is short of applicators. Not many farmers own their own applicators so this will be a real squeeze to let everyone be able to apply it when they want to. Here again, the weather will play a big role. If it is nice, it will be all right but if it is wet everyone will want and need applicators at the same time.
>
> You no doubt know all about prices and the financing situation this year but I'll tell you how it is here. We do not know when we order this fertilizer what we will be required to pay for it. Every load that comes can be another price and we will not know until the day it is delivered. Any prices we have heard so far are at least twice and sometimes more than we paid last year.

A farmer from Morning Sun, Iowa, offered the following amplification on this problem:

> We are told by the USDA that fertilizer will be slightly short. I do not know where they get their information because just the opposite seems to be true. One of our local fertilizer dealers told a group of 150 men at a meeting last week his anhydrous ammonia supply had been cut by 50 per cent. This man has been in the business for 10 years and has a large trade area.
>
> He told everyone they had better get their ammonia fertilizer wherever they could find it as he would not be able to supply any more than half his regular customers. He also told us the price would be $210 per ton. This is three times the price paid last year. He also said he could buy black market ammonia for $300 per ton. He wanted a show of hands of those willing to pay this price. No one raised his hand.

From Wilton, Iowa, I received the following comments on both the fuel and fertilizer situation facing area farmers:

> I believe the fuel situation, for me, will be okay except I'll have to pay a premium to get what I need. As to the fertilizer, I don't seem to be able to get a price on it as yet. In fact, I talked just this morning to a fertilizer representative and he couldn't quote me a price.

A farmer from Lockridge, Iowa, clearly presented the bailing twine problem in the following letter:

> I would like to know why baling twine is so high. I was in a store on Tuesday and the next day it had jumped $10 a bale making it $39.95.
>
> Is there a shortage of hemp or whatever they use or is someone pulling the wool over our eyes? A bale of twine weighs 40 pounds. That makes it a dollar a pound. Hogs are only selling for 32 cents a pound and we aren't making any money feeding them $3 per bushel corn, plus the cost of protein additives.

Another example of the fertilizer problem comes from a farmer in Donnellson, Iowa:

> We farm 300 acres row crop (mostly rented) plus some wheat and oats. Our acres will be nearly the same as the last three years. Last fall we were able to get most of the plow-down (phosphate and potash) we wanted at about 50 per cent higher cost than the year before. One dealer we had done business with has been cut off by his supplier and we now have 40 percent of the starter fertilizer we need. We've been assured there will be no more. The cost of this was double last year's price. We were offered some bulk 3–24–24 at $250 per ton. This is three times what it is worth, so we said no.
>
> We are promised as much anhydrous ammonia as we used last year, at double the price. Last year we wanted to change to liquid nitrogen because of the danger of handling the gas form, but we could not get any and this year it is the same. The pipeline company that tore up our land three years ago said the pipeline was needed to reduce the prices of anhydrous ammonia. From $75 to $165 is a reduction?
>
> We have had no fuel problems so far, except a 40 per cent increase in price. Our drying gas went from 14 cents in '72 to 30 cents in '73. If we get some baler twine, it will be at least three times higher
>
> Otherwise, we "never had it so good."

CONGRESSMAN DRINAN CONFRONTS SECRETARY SCHLESINGER ON POLICY RESTRICTING ACADEMIC FREEDOM

The SPEAKER. Under a previous order of the House, the gentleman from Massachusetts (Mr. DRINAN) is recognized for 20 minutes.

Mr. DRINAN. Mr. Speaker, in a letter to Secretary of Defense James R. Schles-

inger on February 13, 1973, I challenged him to provide me with a justification for the Department of Defense's continuing policy of blacklisting those colleges and universities that have terminated their ROTC participation.

In 2 months time I have had no acknowledgement of my letter nor have I been afforded the courtesy of a single call apologizing for this unreasonable delay in responding.

In late March I sent a telegram to the Secretary asking for an answer to my letter. I have had a member of my staff contact officials at the Pentagon a number of times.

It is appalling to me that my inquiry into this policy has been treated in a manner of arrogance and indifference by the Secretary of Defense. I would hope that the Secretary would feel accountable to Members of Congress in matters of policy for the armed services. Beyond the fact that he has not responded to my letter, I would certainly have hoped that he would have provided the courtesy of acknowledgment via a letter or call by this time. I would like to assume that he sees this matter as seriously as I do and that he is concerned with the issue of academic freedom which is at stake.

Since February 21, 1972, when I first brought to the attention of our colleagues the practice of blacklisting by the Department of Defense of those colleges and universities which terminated their ROTC participation, I have on five other occasions made statements for the RECORD deploring this illogical, unsound, punitive policy which is a threat to the academic freedom of this Nation and to the basic strength and intelligence of the officer corps.

In making public a letter I received from then Secretary of the Navy, John Chafee, in which he confirmed that this blacklisting was a matter of policy, many of my colleagues joined with me in expressing their indignation. In the Secretary's letter to me he stated:

I share with you concern for the loss to the Navy and the nation of the excellent relationships previously experienced with these institutions.

Secretary Chafee noted that severance of relations with these universities was brought about by expressed interest of the House Armed Services Committee. In a letter from the chairman of the House Armed Services Committee to the Secretary of the Navy, the chairman stated:

It is our hope that it will not be necessary to place a flat prohibition against sending students to these universities which have withdrawn from the ROTC program when we consider the procurement bill next year but, if it is necessary to legislate on this subject, legislate we will.

There have been at least three attempts to incorporate this restriction into law, all of which have been unsuccessful. There is no statutory authority for this policy nor has the Congress expressed its intent on such a restriction.

It was my hope at the time, that the Department of Defense would drop this policy regardless of the wishes of the chairman of the House Armed Services Committee. Yet, in November of 1973, I learned that the Secretary of the Army, Howard H. Callaway, had indeed formally capitulated to the demands of the House Armed Services Committee. In a letter to the chairman of the committee, Secretary Callaway stated:

I assure you that I now have the word, not only on Harvard but on the other 13 colleges and universities which have withdrawn unilaterally from the ROTC program.

I also learned of an official memorandum of the Army Corps of Engineers which extended this policy to civilian personnel! In a special order of November 28, 1973, I placed into the RECORD the letter of Secretary Callaway and the restriction mandated in the Corps of Engineer's memorandum.

Early this year I was contacted by a doctor at the Harvard Medical School who was outraged that an Army physician was denied enrollment in a graduate course he was offering due to Harvard's termination of ROTC. In his letter to me the professor observed that:

This particular situation is absurd because so much of what is important in military medicine deals with intensive care in traumatized patients. It makes no difference to Harvard whether or not the Army sends a physician to the course since enrollment will be complete anyway. The loser is the Army and its Medical Corps who are deprived of an opportunity to benefit from such post graduate education.

I later spoke at length with the Army physician concerned. He was in agreement with my contentions of the injustice and absurdity of this policy and we discussed the possibility of a lawsuit in order to vindicate his rights and those of other military personnel denied education at these schools.

The doctor later called me back and expressed his regret that he would not come forward on this issue. He was in fact afraid of possible repercussions. A graduate of one of America's eminent colleges and a former resident at one of the world's greatest hospitals shrank back from fear of the lawless attack he was convinced he would experience if he stepped out of line.

I was compelled to write to the Secretary of Defense demanding that he explain to me his justification for adhering to this policy.

It is becoming apparent that this whole administration dispenses information to Members of the Legislature at their convenience, on their terms, and with their unreviewable discretion. Is executive privilege becoming to mean that Congress should consider it a privilege to get information out of the executive? If this administration intends, as it says it does, to improve congressional relations it must abandon its callous and contemptuous attitude toward Congress, its Members, and its staffs.

LETTER TO SECRETARY SCHLESINGER FROM CONGRESSMAN DRINAN

FEBRUARY 13, 1974.

HON. JAMES R. SCHLESINGER,
Secretary, Department of Defense, The Pentagon, Washington, D.C.

DEAR MR. SECRETARY: In the February 9, 1974 edition of the *New York Times*, it was reported that you recently reviewed and accepted a policy of prohibiting Armed Forces personnel from attending colleges and universities which have terminated their participation in the ROTC Programs. I have closely followed this matter for the past two years when it was first brought to my attention that the Defense Department was pursuing this restrictive practice. Your reported adherence to it causes me a great deal of distress.

I am aware of no legislative authority for such a policy. Attempts to incorporate such a restriction into law have been unsuccessful.

Attached is a memorandum issued recently by the Army Corps of Engineers upon the authority of the Secretary of the Army, which extends this policy to civilian personnel training programs.

With effort, I was allowed to read the attached correspondence of the Secretary of the Army to the Chairman of the House Armed Services Committee. The Secretary indicated his understanding of this policy when he stated: "I assure you that I now have the word, not only on Harvard but on the other 13 colleges and universities which have withdrawn unilaterally from the ROTC Program". As you know, along with your alma mater, six of the 13 universities affected by this policy are in the New England area.

I would appreciate your advising me within 72 hours with respect to the following:

1. What precisely is the 'word' which the Secretary of the Army has received?
2. What is the reason for extending this policy to civilian training programs?
3. Upon what authority has the Department of Defense adopted the policy of forbidding attendance at such educational institutions by military and civilian personnel?

I look forward to hearing from you.

Cordially yours,

ROBERT F. DRINAN,
Member of Congress.

CONGRESSMAN McFALL PROPOSES LEGISLATION TO BREAK OIL INDUSTRY GRIP ON CONSUMER POCKETBOOK

The SPEAKER. Under a previous order of the House, the gentleman from California (Mr. MCFALL), is recognized for 5 minutes.

Mr. MCFALL. Mr. Speaker, today, I am introducing three bills all of which are designed to combat various phases and effects of the energy shortage and its impact upon the American people.

Despite resistance from the administration, Congress has established a solid record of leadership in meeting the energy shortage. The bills I am introducing, not only will supplement legislation already enacted and under active consideration, but may be the next logical steps to be undertaken to provide for long-term development and equitable management of our fossil fuel resources.

By way of background, during the past year and a half, our Nation has undergone a growing crisis created by excessive use of energy and dependency upon imported supplies of oil while production of domestic petroleum dwindled. Congress repeatedly warned of the impending difficulties unless firm steps were taken to break the stranglehold that large oil companies had achieved over production and marketing of this basic commodity.

The situation continued to worsen, however, and a year ago Congress gave the President standby authority to establish a limited mandatory fuel allocation program as part of the extension of the Economic Stabilization Act.

This authority was not exercised, how-

ever, until November after a futile period of seeking "voluntary" cooperation from the oil giants in allocating supplies of fuel to alleviate increasing hardships. By November, the Arab countries had imposed an embargo on shipments of petroleum to the United States which was produced in the Middle East by international companies dominated by American oil interests.

This limited mandatory program was poorly conceived and half-heartedly administered, with predictable results.

Despite vigorous opposition from the administration, Congress initiated and passed the Mandatory Petroleum Allocation Act requiring the President to establish a program to assure that suppliers and distributors all over the Nation share available fuels with all classes of consumers on a priority basis.

The public also responded magnificently to urgent pleas for conservation and other important legislation was enacted to meet both the need for immediate reduction of petroleum use and to clear the way for increased availability of domestic supplies. This included the 55-Mile Per Hour National Speed Limit Act, the All-Year Daylight Saving Time Act and the Trans-Alaska Pipeline Act.

Other vitally needed legislation was stymied, however, when the President vetoed the Energy Emergency Act because of objections to the excess profit tax provisions it would have imposed against the oil companies. Oil company profits had zoomed as a result of the scarcity of supplies and the elimination of competition from independent refiners and retail service station operators.

With good reason, millions of Americans voiced strong suspicions that the scarcity of fuel was artificially created by the companies.

The embargo by the Arab countries now has ended, at least temporarily, and conditions have improved somewhat with the arrival this week of the first shipments of Arab oil in several months. This development is cause for optimism, but guarded optimism at best. The valves, we know, could very well be turned off again by decree of the Arab leaders.

Our goal as a Nation is to provide for self sufficiency in meeting our energy needs. Peace in the Middle-East may well assure that the Arab oil will continue to flow uninterrupted, but just as a person tries to maintain a bank balance to meet pocketbook emergencies, our Nation should become equipped to meet energy emergencies without undue strain.

I would like to emphasize that the three bills I am introducing today are designed to augment the current efforts in the Congress to meet our long range goals. They are introduced not as the last word or as the ultimate solution to our energy problems, but as proposals for full debate and consideration, and for modification if the needs of the Nation so determine.

One bill, titled the "Public Energy Act," is designed to assure that adequate supplies of energy resource products will be available at the lowest possible price to the consumer by restricting the monopolistic trends within the oil industry to control our energy resources from the earth to the gas tank. To accomplish this the bill establishes a public utility-type regulatory agency to oversee the deconcentration of control over the exploration, refining, and marketing of fuels.

The second bill establishes an Energy Management and Conservation Corporation operated by the Federal Government to provide for the exploration, development, and conservation of mineral resources on Federal lands.

The third bill is designed to assist the low- and moderate-income taxpayer who depends upon automobile travel to and from work. This bill would provide that individuals shall be entitled to a refundable tax credit equal to 25 percent of the amount expended for gasoline in connection with employment-related travel.

PUBLIC ENERGY ACT

From the massive antitrust action filed last year by the Federal Trade Commission against eight major oil firms and through the latest energy crunch, the American people have become increasingly aware that the concentration of economic power by the oil industry is detrimental to the best interests of the Nation.

I include the following:

SECTION-BY-SECTION ANALYSIS

TITLE I

Section 101.—In this section, Congress finds that the United States needs to develop new and expanded energy supplies at the lowest possible cost. To meet this goal consistent with a commitment to a free enterprise economy, Congress must act to (1) break the barriers to competition that presently exist in the energy industry, (2) put restrictions on those engaged in the business of refining energy resource products, (3) insure competition, equal access to supplies for all, and nondiscriminatory practices in the energy industry, and (4) divest certain assets in order to protect the consuming public, and promote the public interest in competition.

Section 102.—This section contains the definitions of terms used throughout the bill.

Section 103.—This section provides that after the date of enactment of the bill, it will be unlawful for anyone engaged in the refining of energy resources to acquire a firm or other interest, directly or indirectly, engaged in extraction, transporting or marketing of energy products.

Section 104.—This section makes it unlawful for any company engaged in the refining of energy products and presently owning or controlling an interest in the extraction, transporting, or marketing of energy resources to retain such ownership or interest at a date four years after the passage of the bill.

Section 105—This section orders each company owning a refining asset and either an extraction, transportation or marketing asset must file a report concerning the asset with the Attorney General and the Federal Trade Commission.

Section 106.—This section directs the Attorney General and the FTC to undertake their own investigation to determine the relationship of persons now engaged in the energy industry. Both the Attorney General and the FTC are given the power to institute suits to request appropriate relief when provisions of the bill are violated.

The Attorney General and the FTC are charged with the responsibility of taking all steps necessary to effect the divestiture of assets.

Section 107.—This section provides that a violation of Title I of the Act is punishable by a fine not to exceed $500,000 and ten years in prison in the case of a person, and be a fine not to exceed $500,000 and suspension of the right to do business in interstate commerce for a period not to exceed ten years in the case of a corporation.

TITLE II

Section 201.—This section establishes an independent five person regulatory commission known as the Federal Energy Commission. The commissioners are to be appointed by the President with the advice and consent of the Senate. At least one commissioner shall be a representative of consumer interests.

This section also contains rules concerning the length of time each commissioner will serve, and the political affiliation of the commissioners. A person who is employed by or owns a substantial monetary interest in a business that produces, imports, refines, markets or distributes crude oil or refined petroleum products is barred from serving on the commission.

Finally, there is a provision for the general rules under which the commission will operate.

Section 202.—This section provides that the commission shall divide the country into regional districts to be served by refineries designated by the commission. The commission may modify the districts as circumstances change in order to achieve the greatest economy for the consumer.

The commission shall complete the division of the country into districts within four years of the passage of the bill.

Each step in this process will be governed by the protections and safeguards of the Administrative Procedures Act.

Section 203.—This section provides that the commission will determine the rates and charges that refiners may charge its customers. These rates and charges will insure a fair rate of return on invested capital for the refiners and just and fair prices for the customers.

The section prohibits a refiner from granting an undue preference or advantage to any person, or maintaining an unreasonable difference in rates between consumers of classes of consumers.

The commission may prescribe rules under which the refiners will file rate schedules with the commission. These schedules will be kept in a convenient place, and open to the public.

The commission may set the price of energy resource products at any stage before or after the refining process if it finds such action is necessary to avoid excessive profits for the ultimate consumer.

Finally the commission may specify the price of energy resources imported into the United States if it finds such action is necessary to avoid serious interference with the operation of the regulatory program.

Section 204.—This section makes it unlawful for any person to violate any provision of Title II or any rule, regulation or order issued pursuant to such provisions.

Section 205.—This section prescribes a maximum of $2,500 civil penalty for a violation of Section 204. In the case of a willful violation of Section 204, the person would be liable to a fine not to exceed $5,000, or more than two years in jail. The Attorney General also is empowered to seek an injunction against those engaged in or about to engage in a violation of Section 204.

ENERGY MANAGEMENT AND CONSERVATION CORPORATION

The second major legislative initiative I am introducing today, Mr. Speaker, establishes an Energy Management and Conserva-

tion Corporation which would be empowered to begin extensive research, exploration, development, and marketing of energy resources, with special emphasis placed upon gasification of coal and extraction of oil from oil shale.

The Energy Management and Conservation Corporation would be established in the tradition of the Tennessee Valley Authority, which since its inception has proven that the government can successfully manage energy resource development to the enhancement of the Nation's economic and social well-being.

I would emphasize that this legislation is not introduced as a first step to nationalization of any segment of the oil industry, but is designed to enhance and complement the efforts in the private sector to explore, manage and conserve our vital fossil fuel energy resources.

SECTION-BY-SECTION SUMMARY

STATEMENT OF FINDINGS

Section 2.—This section presents the finding of the Congress that:

The Nation is facing an increasing shortage of environmentally acceptable sources of energy;

This shortage is causing the United States to import increasing quantities of oil and natural gas thereby dangerously decreasing national independence of action and increasing its dependence upon foreign sources;

There exist on public lands large resources of oil shale and coal which can be used to manufacture liquid and gaseous fuels and so reduce the need for imports and help to relieve the shortage of supply;

The Federal Government has a responsibility to accelerate the use of these resources to produce liquid and gaseous fuels;

The Federal Government likewise has a responsibility to lease public lands for the private development of these resources to produce liquid and gaseous fuels in ways compatible with national goals of protecting the environment and conservation of energy and resources;

Government operation of commercial plants will: (1) demonstrate the technologies compatible with environmental goals and so accelerate future private decisions for investment; (2) provide yardstick information with which to measure the future performance of private development of these public resources; and (3) provide opportunities for testing and demonstrating innovations and developments in this field.

Section 3.—This section declares it to be the policy of the Congress that resources of oil shale and coal on public lands be developed promptly by both the Government and private interests.

To achieve this, the Congress further determines that there be established and maintained through a National Energy Management Conservation Corporation national programs with the following objectives:

1. Begin as soon as possible the commercial development of oil shale and coal to provide supplies of liquid and gaseous fuels;

2. Accelerate creation and demonstration of technologies to manufacture liquid and gaseous fuels from oil shale and coal, with acceptable environmental effects;

3. Promote early use of oil shale and coal resources to supply liquid and gaseous fuels by leasing public lands to private interests; and

4. Provide opportunities for testing and demonstrating innovations and developments in this field.

This operation will be subsidized. Fuels produced by the Corporation will be sold on the open market provided that fifty percent be reserved for publicly owned utilities.

CREATION OF CORPORATION

Section 4.—This section provides for the creation of an Energy Management and Conservation Corporation which shall establish and administer on Federal land and any land in which the United States has reserved mineral interests a national program for the exploration, development, and conservation of energy mineral deposits.

The Corporation will have a five-member Board of Directors, to be appointed by the President with the advice and consent of the Senate.

This section also sets forth regulations for terms of office for board members and safeguards against conflicts of interest.

Section 5.—This section provides for the appointment, removal, salary, selection, and promotion of officers and employees of the Corporation.

Section 6.—This section defines the powers and duties of the Corporation.

In carrying out its duties under this Act, the Corporation may conduct research and development with a view toward improving the technology related to the use of oil shale, gasification of coal methods, geothermal steam, and solar energy as sources of energy for domestic and industrial uses in the United States.

In order to enable the Corporation to exercise the powers and duties vested in it by this Act: (1) the exclusive use, possession, and control of all property to be acquired by such Corporation in its own name or in the name of the United States of America, are entrusted to such Corporation for the purposes of this Act; and (2) the President of the United States may provide for the transfer to such Corporation of the use, possession, and control of other Federal land or personal property of the United States.

Section 7.—This section provides for the maintenance of financial account books and the filing of a financial statement each year which will be audited by the Comptroller General. All purchases and contracts for supplies or services shall be made after advertising, in order to sufficiently advance bids.

Section 8.—This section authorizes the Corporation to issue bonds not to exceed in the aggregate $30 billion outstanding at any one time, which bonds may be sold by the Corporation to obtain funds to carry out the provisions of this Act.

This section also provides for the issuance and rules concerning these bonds, which shall be exempt both as to principle and interest from all taxation.

Section. 9.—This section empowers the Corporation to cause proceedings to be instituted for the acquisition by condemnation of any lands, easements, or rights-of-way which, in the opinion of the Corporation are necessary to carry out the provisions of this Act.

Section 10.—This section authorizes access by the Corporation to the United States Patent Office for the purpose of studying, ascertaining, and copying all methods, formulas, and scientific information necessary to the Corporation.

Section 11.—This section provides that the Federal Government may take possession of all or any part of the property described or referred to in this Act for the purpose of manufacturing explosives or for other war purposes.

Section 12.—Provides the punishment and fines for offenses such as larceny, embezzlement, etc. by individuals against the Corporation.

Section 13.—Provides that commencing in the first fiscal year beginning more than three years after the date of enactment of this Act, the proceeds for each fiscal year derived by the Board from the sale of energy minerals or any other products manufactured by the Corporation including the disposition of any real or personal property, shall be paid into the Treasury of the United States at the end of each calendar year, save and except such part of such proceeds as in the opinion of the Board shall be necessary for the Corporation in the operation of its energy minerals resources exploration and development.

This section also provides that a continuing fund of $2 million is also expected from the requirements of this section and may be withheld by the Board to defray emergency expenses and to insure continuous operation.

ENVIRONMENTAL SAFEGUARDS

Section 14.—This section provides that the Corporation shall treat all decisions regarding the setting and design of any facility which may be constructed under this Act as a significant aspect of land use planning in which all environmental, economic, and technical issues with respect to such facility should be resolved in an integrated fashion.

This section also provides that in exploring and developing energy mineral resources and in the construction of any facility, the Corporation shall administer such programs so as to promote the conservation of lands and other natural resources, to preserve and enhance the environment, to maintain ecological balances, to protect the public health, safety, and welfare, and to rehabilitate, as far as practicable, any lands from which energy mineral resources have been taken and which will no longer be needed by the Corporation for such use.

Section 15.—Authorizes to be appropriated $5 billion for the purpose of carrying out the provisions of this Act.

TAX CREDIT FOR EMPLOYMENT-RELATED TRAVEL

The third bill I am introducing today, Mr. Speaker, is designed to ease the burden of higher gasoline prices upon workers who must purchase gasoline for their transportation to and from work.

It has been estimated that the average commuter travels 35 miles a week to and from his job and this legislation, if enacted, would provide an average $14.35 tax credit per year to each commuter.

BILL SUMMARY

This bill amends the Internal Revenue Code of 1954 to provide that individuals shall be entitled to a refundable tax credit equal to twenty-five percent of the amount expended for gasoline used for travel for employment-related purposes.

This credit shall be reduced by one dollar for each $40 by which the taxpayer's taxable income exceeds $10,000.

HOUSE-SENATE LEADERSHIP DISCUSS NEED FOR PENSION PLAN REFORM AND NATIONAL HEALTH INSURANCE

The SPEAKER. Under a previous order of the House, the gentleman from New Jersey (Mr. DOMINICK V. DANIELS) is recognized for 5 minutes.

Mr. DOMINICK V. DANIELS. Mr. Speaker, I would like to call Members' attention to the joint statement issued yesterday by you and the Senate majority leader on the need for pension plan reform and national health insurance legislation. The joint statement pledges renewed effort on the part of the democratic leadership of the House and Senate toward the enactment this year of legislation which guarantees all Americans, regardless of ability to pay, adequate health service, as well as legislation bringing needed reform in the private pension plan systems throughout the country.

I commend the joint statement to the attention of all Members:

PENSION PLAN REFORM AND NATIONAL HEALTH INSURANCE

At a meeting of the House-Senate leadership, discussion centered on the enactment of two very important pieces of legislation—National Health Insurance and Pension Plan Reform. Democrats in Congress have cited the need for legislation in these two areas on many occasions, and the Democratic Leadership of the House and Senate pledges renewed effort toward the enactment this year of legislation which guarantees all Americans, regardless of ability to pay, adequate health service and which would bring about needed reform in the private pension plan systems throughout the country.

Hearings on National Health Insurance plans will begin on April 24th in the Committee on Ways and Means, and it is hopeful that a compromise version incorporating aspects of the various plans already introduced will become the vehicle for a workable solution which can be passed by both Houses this year. In this regard, we seek the cooperation of the President to the end that the high cost of medical care will no longer stand as a constant threat of financial disaster to tens of millions of Americans every year.

Pension Reform legislation is presently in House-Senate conference and the leadership is hopeful that differences will be worked out soon so that this measure will be cleared expeditiously for the White House.

SPEAKER ALBERT COMMENTS ON THE RECORD OF ACHIEVEMENT OF THE 93D CONGRESS

The SPEAKER. Under a previous order of the House, the gentleman from Indiana (Mr. BRADEMAS) is recognized for 5 minutes.

Mr. BRADEMAS. Mr. Speaker, I would like to call Members' attention to the release issued from your office today that recounts the considerable achievements of this 93d Congress. The release points out that such major legislation as the minimum wage, social security increase, public employment program, food production act, health programs and unemployment benefits have already become law. Progressing toward enactment are such important measures as the budget reform legislation, private pension reform, the Federal Energy Administration, the $17 billion school aid bill and Consumer Protection Agency.

As the release notes, the 93d Congress has built a solid record of achievement to take to the people. I commend it to the attention of all Members:

SPEAKER ALBERT SAYS CONGRESS HAS SOLID RECORD OF ACHIEVEMENT

The 93rd Congress has built a solid record of achievement to take to the people during the Easter break which begins today.

Members of the House have been persistent and vigorous in meeting the needs of the American people. This Congress will achieve a legislative record to rank with those of the landmark Congresses of the Roosevelt and Johnson years.

Our accomplishments include a four-year farm and food production act to combat the threat of food shortages, a $20 billion Federal Aid Highway Act, $3 billion for mass transit construction, a series of health and education programs of major benefit to our children, a $544 million program for the elderly, extended unemployment benefits, a War Powers Resolution, mandatory fuel allocation and Alaska pipeline.

Private pension reform, budget reform, Federal Energy Administration are in conference. The House has passed and sent to the Senate a three-year $17 billion Elementary and Secondary Education bill, a Consumer Protection Agency bill, and an increase in veterans' compensation.

The 93rd Congress has worked hard to fill the leadership void left by an inept and indifferent Administration. On virtually all its major achievements, Congress has had to battle Administration obstructionism. Congress has enacted a minimum wage bill to replace the one vetoed by President Nixon last year; Congress passed a comprehensive manpower program, including public services employment, and an increase in social security benefits, both over the objections of the Administration. The House is now working on a housing and community development program to replace those that President Nixon arbitrarily stopped dead in January, 1973. The House voted a 13.6 percent increase in veterans' compensation, but now President Nixon wants to cut it back to 8.0 percent.

Congress is passing the laws, but the Administration is defaulting on its responsibility to put the programs into effect and to deliver the benefits to the people. The Administration has impounded funds, tied programs up in red tape, and administered other programs in such a half-hearted manner as to assure their ineffectiveness.

The nation's first priority should be to combat unemployment and to perk up productivity by creating jobs. We should seek to increase small business loans and to loosen the shackles on credit that now hogtie the housing industry and so many other industries. We need public services employment programs for veterans and others who are out of work.

Top priorities after the Easter break will include National Health Insurance, the Impeachment Inquiry, Mass Transit Assistance, Anti-Hijacking, Campaign Reform, Cancer Research, Unemployment Benefits, Land Use, Omnibus Energy Bill and others.

Congress is fulfilling its responsibilities, moving and acting on a broad front to meet the needs of the people. Congress will continue to maintain its initiative on programs that advance the public welfare.

FOOD COMMODITY PROGRAM STILL ESSENTIAL FOR ADEQUATE NUTRITION FOR MANY AMERICANS

The SPEAKER. Under a previous order of the House, the gentleman from Montana (Mr. MELCHER) is recognized for 5 minutes.

Mr. MELCHER. Mr. Speaker, today I am reintroducing with over 40 cosponsors my bill to restore the Department of Agriculture's authority to purchase commodity food at market prices for distribution to State institutions, Indian tribes, school lunch programs, special meals programs, and charities such as the Salvation Army Centers, orphanages, and homes for the destitute.

The bill is necessary to insure continuation of the commodity program for these groups that now rely on commodities both financially and nutritionally. The new bill also corrects an error in H.R. 12168 to make the commodity program apply to disaster relief instead of "domestic relief" as it was worded.

A great deal of concern has been expressed by various agencies, organizations and tribes about USDA's position that it no longer will have the authority to buy commodities after June 30, 1974. Therefore this bill is most urgent to continue to meet nutritional needs of those groups I have mentioned.

TAX REFORM NEEDED NOW

The SPEAKER. Under a previous order of the House, the gentleman from Utah (Mr. OWENS) is recognized for 20 minutes.

Mr. OWENS. Mr. Speaker, 2 years ago, I advocated a comprehensive overhaul of our Federal income tax structure. It is with disappointment that I must today reintroduce those same basic proposals. Efforts to reform our tax system have been repeatedly defeated by powerful special-interest groups and the opposition of the administration to meaningful change.

Those 300 individuals who earned $200,000 or more in 1969 but paid no taxes are still around—and many of them, despite the Tax Reform Act of 1969, are still paying very little or no taxes. Yet the wage earner who works in the factory or in the fields and earns $8,000 in a year to support his wife and two children pays an average of over $600 in income taxes.

One word of caution: Those of us who seek to change the Federal tax structure, must do so with great sensitivity, to make certain that the changes made are rational and not inconsistent with the economic incentives that are needed, and which are the basis of the American free enterprise system. Changes must be well thought out and their impact analyzed, to make certain that the flow of investment capital is not restricted. I am proposing, for example, significant changes in oil taxing policies, but I am confident that they will not impede exploration for new oil sources.

The concept of fairness is essential to our tax system—but we need only look around us to see how unfair it really is. When we discover that Gulf Oil Co., with net income of $2.3 billion, and a family of four that earns $6,000 in a year pay the same effective tax rate on their incomes, our eyes are opened to the critical need for large-scale tax reform.

American taxpayers are quite willing to pay their fair share of the cost of Government and its many programs—but it must be their fair share. Since our tax system is based on broad principles of voluntary compliance, if these taxpayers lose faith in the Federal taxation system, that system will collapse. And now taxpayers have less faith in this system than ever before. A recent nationwide poll showed that 74 percent of the public feels that "the tax laws are written to help the rich, not the average man." Unfortunately, this large majority is not without good cause for its opinion. Clearly, this trend must be reversed.

Tax reform is one of the most urgent matters facing the 93d Congress. No other issue so directly touches so many citizens. Congress must delay no longer in making essential reforms. We can no longer engage in exchanges of rhetoric—we must legislate.

Today, I offer proposals for reform of the tax code. These 10 reforms will correct what I consider the most blatant and

inequitable provisions. My proposals will upset some people. The rich and the special-interest groups, however, will inevitably suffer as a result of any proposal to increase the fairness of the tax laws.

One week ago, I presented my views on reforming taxation of the oil industry. The huge oil companies receive tax favors that are available to no other industry. These benefits effectively reduce their statutory tax rate of 48 percent that would apply to any other corporation, to a meager 6 percent for these oil giants. The president of Gulf Oil reported to the Senate's Permanent Subcommittee on Investigations that Gulf paid only 2 percent in overall income taxes last year on net income of $2.3 billion. I have been advised that if the oil industry were taxed as other manufacturing industries, the increase in revenue would be greater than $3 billion annually. This group of giant corporations cannot justify this special tax treatment while the average taxpayer is asked to pay his fair share of the tax burden.

Three major tax benefits account for the largest portion of this reduced tax rate and lost revenue: The percentage depletion allowance, the privilege to treat intangible drilling and development costs as deductible expense, and U.S. tax credits for royalties paid to foreign countries. As I emphasized in my earlier statement, we must not view revision or repeal of these items as punishing the oil companies, but only as a removal of preferential treatment when it is no longer warranted.

First. Phase out the percentage depletion allowance:

The percentage depletion is an artificial allowance which permits oil companies to deduct 22 percent of their oil income from their taxable base. The oil industry argues that this artificial allowance is justified by important public policy considerations, primarily the need for large stockpiles of oil for national defense. Whatever weight this rationale may have once had, the chances that we would have access to stockpiles of U.S. oil in Arab countries in time of world conflict appear dim in the light of the recent boycott by the Arab nations. In addition, subsidizing oil activities has, in part, been the cause for a misallocation of energy resources, encouraging heavy investment in oil development at the expense of research and development of alternative energy sources such as coal, oil shale, and, with the most exciting potential of all, the Sun.

The tax loss from the percentage depletion allowance is great. In 1972, $1.7 billion was lost through this provision in the tax structure. With the higher prices of oil, the projected tax windfall due to depletion for 1974 is nearly $2.6 billion.

In the light of our present fuel shortage, I feel that it would be a mistake to eliminate immediately the percentage depletion from domestic production of oil. The percentage available, however, could be significantly reduced and still provide adequate incentive to explore and develop new domestic sources of oil. The House Ways and Means Committee recently proposed legislation to phase out the depletion allowance by 1977. I support this proposal.

Regardless of its justification for domestic production of oil, percentage depletion cannot be supported for foreign properties. Consequently, I believe this aspect of the tax package handed the oil industry by the Government should be eliminated immediately.

Second. Capitalize intangible drilling and development costs:

Intangible drilling and development costs for the oil industry, those associated with engineering expenses, salaries, and costs other than the actual drilling rigs, may be written off in full during the year in which they are incurred; these costs would normally be depreciated over the entire useful life of the property.

The high price of oil is a greater incentive to explore for new sources than any we could possibly devise. Indeed, the incentive to drill has actually created a shortage in the supply of drilling equipment. There is no need to further subsidize the companies with beneficial treatment of intangible drilling and development costs which caused a 1972 revenue loss of $650 million. Estimates for fiscal year 1975 indicate the loss will skyrocket to $800 million.

I recommend that oil companies be required to capitalize these drilling costs, and the Government allow normal depreciation deductions over the productive life of the property.

Third. Grant U.S. tax credits only for legitimate foreign taxes:

The foreign tax credit allows U.S. corporations operating abroad a dollar-for-dollar tax credit for all taxes and royalties paid to foreign government. Since international oil companies pay great sums of money to the countries where they produce oil, the foreign tax credit alows foreign earnings to enter the United States with little or no residual U.S. taxes. Masking royalties paid to foreign governments as taxes, the giant oil companies accumulate massive tax credits to offset U.S. taxes on their income.

As the crowning benefit after the percentage depletion and intangible drilling and development expense tax breaks have taken their chunks of taxes, the foreign tax credit is the final step toward almost total tax avoidance on foreign income. Costing the taxpayers $2 billion in 1972, this credit makes the U.S. Government the tax collector for the sheiks, with the people of this country paying the bill. And as would be expected, as the price of crude oil increases, these tax credits increase accordingly. Estimates are that the revenue losses in 1974 will be even greater—reaching over $3 billion. In addition, the oil companies will amass over $16 billion in excess, unused foreign tax credits in that year. This excess can be carried back 2 years or forward 5 to shelter other U.S, tax liabilities on foreign income for those years. The picture is clear. U.S. oil companies will have virtually no U.S. taxes to pay on their foreign incomes for years to come.

This incentive for oil companies to invest abroad is in direct opposition to our national goal of fuel independence. Since royalty payments on domestic oil cannot be credited against income taxes, domestic oil producers are at a distinct disadvantage when competing with foreign operations. Ending the foreign tax credit would enable domestic producers to compete with foreign produced oil, and be a strong incentive to investment in oil here in the United States.

I recommend that we allow that percentage of foreign payments to governments that can be justified as an income tax be credited against U.S. taxes, and the huge percentage of these payments that remains be treated as a royalty. This amount would be deductible as a business expense, and not given a dollar-for-dollar credit against U.S. taxes.

Fourth. Limit beneficial tax treatment for capital gains:

Capital gains is the largest tax loophole of them all. Existing laws allow individuals to pay a tax on capital gains at half the rate of ordinary income, permitting those who have sufficient wealth to invest in capital assets to have a much lower tax burden than workers or wage earners in the same income bracket. In addition, the first $50,000 of gains each year is subject to an even lower, "alternate" tax. Since capital gains represent increases in income to individuals, more equitable treatment of these gains is in order. Preferential treatment of capital gains is usually linked to widely used tax shelter devices, and fairness demands that these practices also be curbed.

I propose that the 6-month holding period needed to qualify for capital gains treatment be extended to 1 year. The 6-month period is insufficient to distinguish between speculative transactions and true investments. Second, the alternative tax rate on the first $50,000 of gain should be abolished. This tax gift, beneficial only to those above the 50 percent tax bracket, cannot be supported by any rational analysis. These reforms would produce additional revenue of $250 million annually.

Fifth. No stepped-up basis for transfers at death:

Some income, that realized on property transferred at time of death, is not taxed at all. Any increase in the value of the property up to that point is never subject to tax. This system allows huge increases in wealth to escape taxation completely. I do not advocate taxation at death, since this could cause widespread undue hardships and forced sales of estates. The equitable solution is the elimination of the stepped-up basis at time of transfer. This would prevent forced sales to pay taxes, but would not allow tax avoidance of the increase in value of the asset. A key limitation to this proposal is a "small estate" exemption: Those estates valued below a certain prescribed minimum would be allowed transfer with a stepped-up basis. This limitation would protect the average family from undue hardship while preventing huge family fortunes from passing generation to generation without paying any tax. Savings to the taxpayers by this reform would approximate $400 million annually.

Sixth. Grant States and municipalities the option of issuing taxable bonds with Federal subsidy:

Interest received by holders of State and local bonds is not taxable. These bonds, which carry a low rate of interest, are attractive to high income individuals and corporations whose net after tax income is higher because of the nontaxable features of the bonds.

This tax treatment is unacceptable for three reasons. Primarily, this system is inequitable—it permits high income individuals to avoid paying their fair share of the income tax burden. Secondly, it is grossly inefficient. The revenue loss to the Federal Government is roughly 30 percent greater than the amount saved by the States paying low interest rates. Finally, it diverts risk capital from higher return, but taxable, investments, a result which is obviously unfavorable economically, since it restricts normal economic growth.

States and municipalities should be given the choice of issuing taxable bonds, and in return, receive a Federal grant with no strings attached, of 50 percent of the cost of the interest payments. The cities would actually gain an estimated $1.4 billion yearly though it would cost the U.S. Treasury $400 million.

Seventh. Abolish ADR:

The asset depreciation range—ADR—system must be ended. Under current law, with the asset depreciation range system, businesses can write off their property at a rate 20-percent faster than the estimated life of the asset. It is questionable whether the initial objectives of ADR—encouraging business investment during a period of economic slump—were ever accomplished. The economic effects of this Nixon administration measure were never accurately predicted, measured, or analyzed. It is clear now, however, that this incentive is incompatible with the current condition of our economy. Repeal would net the Treasury $1.5 billion annually.

Eighth. Strengthen "minimum tax" provisions:

The minimum tax was enacted to place limits on the extent to which taxpayers can exploit loopholes in the code. As adopted, the tax needs strengthening in order for it to perform its purpose. That it has failed is evidenced by the over 400 individuals in 1972 with incomes greater than $100,000 who paid no Federal income taxes and thousands who made $100,000 and paid very little taxes. Currently, the tax is levied on certain "preferred" income, primarily the excluded half of capital gains and certain excess depreciation, amortization, and depletion. A deduction of $30,000 plus any regular income taxes paid is allowed, and the remainder is taxed at 10 percent.

I proposed a four-step strengthening program that would add meaning to this provision and make it a viable arm of income tax reform. Primarily, all major tax "gifts", including expensing of mineral exploration, intangible drilling and development costs, and tax exempt income from State and municipal bonds, must be included in preferred income. Second, the exclusion allowed for current and past income taxes is unsupportable, and should be abolished. Third, a $20,000 rather than a $30,000 deduction would adequately protect the middle-income wage earner. Finally, the rate applicable to this income should be increased to 20 percent. It is unclear to me why an individual with $500,000 of income which escapes initial taxation due to tax preferences should be taxed at 10 percent, while the subpoverty level domestic who earns $1,000 during the year is taxed at 14 percent. The estimated gains from strengthening the minimum tax provisions would be $2 billion per year.

Ninth. Curb "hobby" farming:

I was appalled to learn that in 1971, 3,000 individuals filed "schedule F's"—the farm section of the tax return—in Manhattan! And my amazement increased when I was informed that 374 percent more corporate "schedule F's" were filed in New York than were filed in Kansas in 1967. We have discerned a strong trend in recent years to the absentee "hobby" farmer, who is less interested in crops and livestock than in sheltering his usually substantial nonfarm income.

Farm tax laws allow one to create an artificial loss on farm activities which will offset normal nonfarm income. This reduces the individual's taxable income and results in a substantial tax savings. To combat this injustice, I propose that farm losses over $10,000 should be disallowed when applied against nonfarm income over $20,000. In addition, the tax writing committees of Congress should substantively strengthen the "hobby farm" provisions of the code. Legitimate farmers will support these proposals, since they could restore their ability to compete as well as net our treasury $250 million annually.

Tenth. Disallow "phony" business expenses:

The time has come to reexamine the business expense deduction. One area of abuse that should be reformed is foreign conventions. Controls in this area should disallow income tax deductions for these foreign "conventions" which are in actuality pleasure trips.

SUMMARY

Confidence in our system of taxation has been dealt sharp blows by the revelations of the past 2 months. When the President pays less tax than the low-income worker, and Gulf Oil pays a smaller percentage than the corner grocery store, the time for change is at hand.

Substantive tax change could allow marked reduction in the overall rate structure for all, including a lowering of the highest tax rates. Adoption of these 10 proposals that I have made today will add approximately $7 to $10 billion to our national revenues, a figure that equals the projected deficit of the Federal budget for the coming fiscal year. But we will not see substantive tax change unless it is demanded by the taxpayers. We will not see substantive tax change unless the taxpayers demand that we disallow inequitable special considerations for special interests which the public's interest does not justify. We will not see substantive tax change until the taxpayers, who are voters, demand that every candidate for Congress come forth with a clear and detailed program of tax reform. I have done so, and I have voted for tax reform this past year. I hope the voters of Utah will demand that every candidate for Federal office do the same. Until we see substantive tax change, we will continue to face a Federal tax system riddled with injustice, inequality, and unfairness.

THE ARMED SERVICES COMMITTEE'S OFFICIAL REPORT ON U.S. MILITARY COMMITMENTS IN EUROPE

(Mr. STRATTON asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. STRATTON. Mr. Speaker, I take this opportunity to bring to the attention of Members the summary and recommendations of the House Armed Services Committee on the subject of U.S. military commitments in Europe under the NATO alliance.

This report was directed by Congress last year pursuant to section 301(c) of Public Law 93–155, the Defense Procurement Authorization Act of 1974, which, as the so-called Peyser amendment, directed the Armed Services Committee to "report to the House by April 1, 1974, a detailed and independent study on the advisability of maintaining our present military commitment in Europe in view of the current economic and military situation in Europe."

I believe that all Members ought to have an opportunity to read these important findings and recommendations. The full report itself, which has been published as House Report 93–978, is only about 20 pages long, and also deserves a careful reading. Whether or not one agrees with all its findings, it does discuss some very important policy matters from the point of view of a group that has made a careful on-the-spot appraisal of the situation. These issues are issues which every Member of the House and Senate will have to vote on later this year when the question of our future NATO troop levels comes up.

I also want to take this opportunity, Mr. Speaker, to pay special tribute to the distinguished gentleman from Missouri (Mr. RANDALL) who served as chairman of the Ad Hoc Subcommittee on U.S. Military Commitments to Europe which made the preliminary survey on behalf of our full committee, and which drafted the preliminary report of its findings which was subseqeuntly endorsed by the full Armed Services Committee by an overwhelming vote of 32 to 5. Mr. RANDALL also served as chairman of an earlier subcommittee which in 1971 and 1972, made the most extensive study of NATO matters by a Congressional Committee up to that time and held hearings in 14 different European countries. Mr. RANDALL is in fact today the expert par excellence in Congress on NATO military affairs. The famous Randall report of 1972 is still one of the most widely quoted documents on U.S. involvement in NATO. This second report merits equal respect and attention.

The most important thing about this report, in my judgment, Mr. Speaker, is that it makes clear that the situation which faces us this year, both in Congress and in Europe, is vastly different from what faced us last year and the years before. This year we are in the middle of a new and important process. Last year and in prior years we debated extensively what measures to take regarding our deployments in Europe but we never made any final decision as to any method of change but simply agreed to continue to keep these deployments at the same level.

Last year, however, Congress did something different. It passed a new law: the so-called Jackson-Nunn amendment. And the essence of that new law was to set down as national policy that the continuation of our troop deployments in NATO would henceforth be based on efforts by our NATO allies to offset the American balance-of-payments deficit associated with these deployments. Today, 6 months after the adoption of Jackson-Nunn, the NATO community is in the process of moving forward to carry out the exacting requirements of that amendment. Our subcommittee, therefore, has recommended that Jackson-Nunn not be repealed and that the effort that is under way to carry it out be allowed to continue.

Likewise another new process is presently under way in Europe. It began in Vienna last October in the new negotiations between the NATO allies and the Warsaw Pact countries regarding Mutual and Balanced Force Reductions (MBFR) of troops in Europe. Our country entered those negotiations in cooperation with our allies and across the table from the Communist bloc countries, in good faith. To reduce troops in Europe now without waiting to see the results of those negotiations—which we originally were instrumental in initiating—would of course completely destroy the negotiations. Likewise reducing our troops in Europe before we have seen whether Jackson-Nunn can be made to work would be a most capricious setting-aside of an established national policy even as our allies struggle to meet its requirements. Therefore, our subcommittee and the full Armed Services Committee as well, have concluded that any reduction of forces in Europe at this time would be unwise.

The important thing is that two vital new processes are now at work in 1974 that were not at work in 1973. As Americans we have made a commitment to help make those processes succeed. Unilateral withdrawal of our forces now, without regard to those two processes, would be a grave abrogation of a national undertaking.

The summary of the committee's findings and recommendations follows:

SUMMARY OF FINDINGS AND RECOMMENDATIONS

1. This study was undertaken pursuant to the Peyser amendment which was adopted by the House on July 31, 1973, and which directed a study by the Committee on Armed Services of maintaining the U.S. military commitment to Europe. Subsequently the Congress adopted the Jackson-Nunn amendment, and the negotiations for Mutual and Balanced Force Reductions (MBFR) got underway in Vienna.

2. Previous findings by this committee in 1972, initiatives by Secretary of Defense Schlesinger in the spring of 1973, and congressional approval of the Jackson-Nunn amendment have provided a continuity of national support for the balance-of-payments equalization approach to burden-sharing within the NATO alliance. The Jackson-Nunn amendment, which is the law of the land, calls for European partners of NATO to offset any balance-of-payments deficit incurred by the United States in deploying troops in Europe and provides that if such offset is not forthcoming in 18 months, then beginning 6 months thereafter the United States would begin to reduce its forces by a percentage equal to the percentage by which the deficit is not offset.

3. Massive Soviet forces in Central Europe continue to pose a threat to Western European independence. The advent of detente provides no basis for assuming the Soviet Union will not use force or the threat of force to gain its objectives if given the opportunity—as the October War tellingly demonstrated.

A strong North Atlantic Treaty Organization is necessary to assure Western European security, and U.S. troops must be a part of such forces if they are to remain a credible deterrent.

4. The Atlantic alliance is the cornerstone of U.S. foreign policy; and the United States maintains forces in Western Europe not out of an act of charity, but for its own national-security interests.

5. Both the Warsaw Pact and NATO have improved their forces in the last two years. The Warsaw Pact has superiority in numbers of men and in armor. But it is important to overstate the advantage or downgrade the viability of the NATO defensive capability. The NATO conventional force is not a tripwire. It could give a good account of itself in any conventional contest.

6. The European partners in NATO are continuing to improve their forces and increase their defense budgets. Aggregate defense spending by the NATO allies increased from $31 billion in 1970 to $42.4 billion in 1973, an increase of 37 percent. Significant additions of major equipment will be made by the allies in 1974, including 474 tanks, 1,079 other armored vehicles, 195 modern combat and patrol aircraft, and 15 submarines. Nato is moving forward on its aircraft-shelter program, higher levels of reserve stocks, and improved air defenses around rear depots and airfields.

7. The economic situation has changed drastically in Europe as a result of the oil crisis, and many persuasive arguments were presented on behalf of repealing the Jackson-Nunn amendment. However, it is recommended that no change be made in the Jackson-Nunn amendment at this particular time for the following reasons:

a. It is too early to make a determination as to whether Jackson-Nunn will work, but analysis underway is producing useful economic data.

b. Efforts are being made by the alliance to meet the requirements of Jackson-Nunn, and executive branch representatives predict that it can be met.

c. The amendment is having the desired effect of bringing home to Europeans—and to U.S. policy-makers—the seriousness of congressional concern for equalization of burden-sharing.

8. The offset agreement with the Federal Republic of Germany, which is now being finalized, will cover a higher percentage of the balance-of-payments deficit than past agreements. Following the Federal Republic of Germany agreement, the other partners must take steps, through bilateral or multilateral arrangements, to offset the remaining balance-of-payments deficit as a result of U.S. troops in Europe.

9. At the MBFR negotiations, both sides have submitted substantive proposals for reduction of forces in Central Europe. Two points were stressed by participants in the Vienna talks:

a. Both sides are serious and businesslike, with the Soviets exhibiting an interest in making progress in negotiations.

b. The Western allies have an agreed position and are working in unusually close harmony.

These are complex negotiations and may experience setbacks, but the prize—stability in Central Europe with reduced forces and undiminished security—is worth an extended period of tough negotiations.

10. It is recommended that the United States not reduce its troop levels in Europe at this time. A great power does not act capriciously. In adopting Jackson-Nunn and in joining the NATO allies in the MBFR negotiations, the United States has made a commitment to give those policies an opportunity to work. In addition to its implications for stability in Central Europe, MBFR is the litmus test for détente; and the subcommittee believes the United States has a grave responsibility not to undermine the MBFR talks. Laughter would ring through the halls of the Kremlin if unilateral reductions were announced at this crucial point in the process.

11. There has been an improvement in the morale and readiness of U.S. forces in Europe as compared to what was found in the study made two years ago. The combat-to-support ratio has improved. The subcommittee believes that reducing the tour for single enlisted personnel stationed in Europe to 18 months would greatly improve morale, and the Army is requested to study the feasibility of such a change and report back to the Committee on Armed Services within 90 days on the results of the study.

12. The Army and Air Force have made notable reductions in the number of headquarters personnel, allowing for transfer of the personnel spaces saved to combat units. Additional efforts of this nature should continue. The subcommittee believes the Department of Defense should restudy the major command structure in Europe, looking to the possibility of marrying the European Command Headquarters at Stuttgart with one of the two corps headquarters or in some comparable way simplify the command lines of the force.

13. The subcommittee found a commendable improvement in the readiness of prepositioned stocks for the U.S. forces, but their vulnerability continues to be of concern and the subcommittee believes the Defense Department should study the possibility of further dispersal of such stocks.

14. There are difficult political and economic problems in the Atlantic alliance, and it is believed that working out of these problems would be aided by a verbal détente between the leaders involved, our own as well as others.

"FLY-ME"—AMTRAK

(Mr. DEVINE asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DEVINE. Mr. Speaker, I am reminded of the old diddy "How can you keep 'em down on the farm, once they have seen Paree". This has reference to the Sunday April 7 story in the Washington Post about the Amtrak employees spending over a half million dollars, riding the airlines, rather than

using Amtrak facilities contrary to regulations. The story follows:

[From the Washington Post, Apr. 7, 1974]

AMTRAK STAFFERS RUN UP HUGE BILL FOR AIR TRAVEL

(By William C. Harsh, Jr.)

CHICAGO.—A confidential memo shows that Amtrak employees bought more than $600,000 in airplane tickets last year although they could have traveled free on Amtrak's inter-city passenger trains.

The memo from Amtrak controller Sydney S. Sterns to Amtrak president Roger Lewis and all vice presidents and department heads, dated March 22, said that the huge air travel bill, paid for with federally-subsidized Amtrak funds, was run up despite an Amtrak regulation on employee business travel that specifies: "Whenever possible rail travel should be used."

The memo covers only airplane tickets purchased using Amtrak's air travel card account, which it said totaled "over $600,000." Sources within Amtrak said employees also bought a substantial number of air tickets—perhaps another $300,000 worth—with other credit cards or with cash.

"It appears to me that considerable traveling is incurred by our relatively small management staff," Sterns said in the memo. "In addition, as we are in the rail travel business, greater use of our facilities might be warranted, particularly at off-peak times."

Sterns' memo also admonished the department heads that when employees fly on business "the lowest class fare available should be used."

Amtrak, which had 5,384 employees on Dec. 31, operates an average of 225 passenger trains daily and serves every major city in the United States except Cleveland, Toledo and Des Moines either directly or through connections with the few remaining non-Amtrak railroads. Amtrak is due to receive a federal subsidy of $155 million in the current fiscal year.

There has been widespread criticism of Amtrak on the basis that many of its supervisory personnel, and especially Lewis and his senior lieutenants, seldom ride Amtrak trains.

"It's understandable, of course that due to time constraints and the sketchy nature of service on many of Amtrak's routes there will have to be some flying by Amtrak employees," Anthony Haswell, chairman of the National Association of Railroad Passengers, said when told of Sterns' memo.

"But my general observation is that if responsible Amtrak management officials rode the trains more often, the public would soon get better service.

How can we expect to sell rail transportation in this Nation when the salesmen refuse to endorse the product?

THEY "HANDLE" CRIME IN JAPAN

(Mr. DEVINE asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DEVINE. Mr. Speaker, Paul Harvey in his newscast several months ago spelled out the relative absence of crime in Japan. He cited reasons, and made some startling comparisons with our large metropolitan areas which should be weighed by those who classify themselves as experts in this field.

Mr. Harvey's newscast follows:

[Excerpt From Paul Harvey News, Feb. 23, 1974]

JAPAN DOES NOT TOLERATE CRIME

While crime increases worldwide—not in Japan.

Tokyo has the least crime of any major city.

Crimes of violence—which keep terrified Americans off the streets—hiding behind shuttered windows—are not "tolerated" in Japan.

During the past ten years the crime rate in New York City increased 300%, in West Berlin 200%, in London 160%—

During those same years crime in Tokyo *declined* 10%!

The Wall Street Journal saw those figures—designated Ed McDowell to go to Japan and seek their secret. It's no secret. Japan doesn't "tolerate" crime.

Despite overcrowding, inadequate housing and sanitation, dimly lighted streets and alleys—all the factors we blame for big-city crime—Tokyo is the safest big city in the world.

Last year while there were some two thousand murders in New York there were two hundred in Tokyo.

New York had almost 100 thousand robberies; Tokyo 435.

New York suffered three thousand rapes; Tokyo 465.

And Tokyo is bigger! Tokyo is a third larger than New York City!

And where many crimes go unreported in the United States—and so don't count in the statistics—every crime is reported in Japan—and most are punished.

Researching the reasons for Japan's conspicuous good behavior reporter McDowell kept coming back to the tradition of "family closeness."

Their children are most always home for dinner, acutely anxious about how their behavior may reflect on their "family."

Despite western influences there remains much filial piety in modern Japanese.

Japan's schools set aside two hours every week for moral and ethical education, stressing respect for others.

There are other factors: An island nation leaves no place to run and hide. Japanese are workers—too busy for mischief.

But mostly, law is enforced in Japan. Tokyo police comprise the most modern, best equipped "army" in the world.

What Scotland Yard used to do through the uncanny insights of fictional Sherlock Holmes Tokyo's real-life police actually do with a bewildering gamut of electronics wizardry.

And Tokyo's police, in 1,200 neighborhood stations, are closely identified with their respective neighborhoods. They patrol on bicycles or afoot, are instantly alert to the presence of any stranger.

Every Tokyo policeman is expected to visit every home in his neighborhood at least twice a year. Public opinion polls reflect immense respect for police.

Japan does not tolerate crime.

In Chicago only 7% of criminals are indicted and only 3% of those are punished.

More than 50% of all reported crimes in Japan are solved by police—and last year 99.18% of all defendants were found "guilty as charged."

PERSONAL EXPLANATION

(Mr. KASTENMEIER asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. KASTENMEIER. Mr. Speaker, due to a sudden death in my family, I was unable to be present yesterday, April 10, for the debate and votes on H.R. 14013, the supplemental appropriations bill for fiscal 1974 and the vote on the rule to H.R. 13113, the Commodity Futures Trading Commission Act. Had I been present, I would have voted as follows:

On rollcall No. 159, "yea."
On rollcall No. 160, "yea."
On rollcall No. 161, "nay."
On rollcall No. 162, "nay."
On rollcall No. 163, "yea."
On rollcall No. 165, "yea."

FOOD AND DRUG ADMINISTRATION ACT

(Mr. ROGERS asked and was given permission to revise and extend his remarks.)

Mr. ROGERS. Mr. Speaker, on Thursday, April 4, 1974, I and four members of the Subcommittee on Public Health and Environment, Mr. KYROS, Mr. PREYER, Mr. SYMINGTON, and Mr. ROY, introduced a three-title bill which would strengthen the Food and Drug Administration, entitled the "Food and Drug Administration Act."

Title I, the Food and Drug Administration, contains most of the provisions of H.R. 12315 of the 92d Congress, which was favorably considered by the subcommittee in June of 1972. This title would give the Food and Drug Administration statutory identification for the first time, and require Senate confirmation of the Commissioner of the Administration. It also enables FDA to initiate certain court proceedings, issue subpenas and make other demands for information.

Title II, food, combines two bills which were introduced earlier in this Congress by most of the members of the subcommittee. Parts A, B, and C of title II constitute the text of H.R. 11448, the "Food Amendments of 1973," providing for food labeling for dating, nutrition, and ingredients, registration of food establishments, and inspection of food establishments. Part D of title II is the text of H.R. 11447, the "Food Establishment Reporting Act," which would authorize the Food and Drug Administration to issue orders requiring the submission of information by food establishments to assist it in carrying out the food provisions of the Food, Drug, and Cosmetic Act.

Title III, cosmetics, is the only entirely new provision of this proposed legislation. It provides for the registration of cosmetic processing establishments, a listing of ingredients of cosmetics, and requires manufacturers or distributors of cosmetics to substantiate the safety of their cosmetics prior to initial commercial distribution.

I would hasten to assure both my colleagues and the interested public that the introduction of this measure by myself and my colleagues on the subcommittee is not meant to imply that we consider this to be a perfect bill. We are looking forward to receiving substantial input from witnesses during hearings when we will consider not only this bill but an administration proposal which substantially increases the procedural authority of the Food and Drug Administration.

Both the administration bill and this proposal grant the FDA subpena and other discovery powers. I firmly believe that such increased authority is necessary if FDA is to be an effective enforcer

of its statutes, but I am concerned with their relationship to the criminal penalties presently provided for in the act. It may be that if new discovery authority is included, provisions for civil penalties should be added to the act, and notice be required prior to demands for evidence which might lead to criminal prosecutions. I am requesting therefore, that both the administration witnesses and the public witnesses that appear during the hearings address themselves to this problem.

I am attaching a section-by-section analysis of the Food and Drug Administration Act. This is a complex bill of great significance and public interest, and I feel it is important to give this analysis wide dissemination.

The analysis follows:

FOOD AND DRUG ADMINISTRATION ACT—SECTION-BY-SECTION ANALYSIS

TITLE I—FOOD AND DRUG ADMINISTRATION

SEC. 101. Would add new sections to the end of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321 et seq.), numbered sections 903–09.

Section 903. *Establishment of Administration.* Would create within the Department of Health, Education, and Welfare a Food and Drug Administration ("Administration"). This provision would thus provide a statutory basis for the existence of the Food and Drug Administration and would retain the agency within the Department of Health, Education, and Welfare.

Section 904. *Commissioner.* Section 904(a) calls for appointment by the President, with the advice and consent of the Senate, of a Commissioner of the Administration who shall administer and enforce the laws subject to his jurisdiction (listed in section 103). At present the Commissioner is appointed by the Secretary of HEW and there are no advice and consent requirements.

Section 904(b) requires the Commissioner to appoint a General Counsel for the Administration.

Section 904(c) outlines the powers of the Commissioner. The Commissioner is authorized to (1) direct and coordinate the activities of the Administration; (2) employ and direct all personnel; (3) employ experts and consultants; (4) appoint advisory committees; (5) promulgate such regulations as may be authorized in the laws subject to his jurisdiction; (6) issue subpenas; (7) make investigations to determine whether persons have violated the law (including issuance, in accordance with regulations, of demands for evidence or answers in writing to specific questions, which orders may be enforced in the appropriate United States district court upon application of the Attorney General or the Commissioner); (8) utilize services, personnel, and facilities of other Federal agencies and of State and private agencies or instrumentalities; (9) enter into and perform contracts, leases, cooperative agreements, grants, and other transactions; (10) accept gifts and uncompensated services; (11) designate representatives to committees maintaining liaison with Federal, State and local agencies and independent standard-setting bodies; (12) construct necessary research and test facilities (subject to Congressional authorization and appropriation of funds); (13) conduct public hearings anywhere in the United States; (14) conduct continuing studies of health impairments and economic losses associated with products subject to his jurisdiction; (15) conduct research concerning safety of products subject to his jurisdiction and develop methods and testing devices; (16) offer training in investigation and test methods and assist in development of safety standards and test methods; (17) undertake other duties under the laws subject to his jurisdiction including those enumerated in such laws; and (18) delegate any of his functions and duties, other than subpena powers or powers to issue demands for evidence or written answers, to other officers of the Administration.

Section 904(d) would enable the Commissioner to take certain action in the courts through his own legal representative. This could occur upon the failure of the Attorney General to initiate, within seven days after the Commissioner's request, action to enjoin any violation of law, seize any article, obtain a temporary restraining order, or enforce a subpena or order or require access to documentary evidence pursuant to section 904 (c) (6) or (7).

SEC. 905. *Duties of the Commissioner.* Section 905 outlines the duties of the Commissioner. The Commissioner shall (1) enforce laws he is required to administer; (2) publish notice of any proposed public hearing in the Federal Register and afford a reasonable opportunity for all interested persons to present relevant testimony and data; (3) upon request, furnish requests for legislative proposals directly to committees of Congress; (4) subject to provisions of laws subject to his jurisdiction, make available products that will promote the public health and welfare; (5) attempt to eliminate products presenting unreasonable health risk compared to benefit; (6) establish a capability for product evaluation and benefit risk analysis; (7) establish an interdisciplinary epidemiology capability and undertake investigations; (8) establish a scientific capability for product evaluation, hazard detection, test method development, and quality control requirements, and (9) utilize field operations to evaluate products, detect products that may be hazardous, monitor compliance, report violations, and assist in enforcement.

SEC. 906. *Obligations of Administration Contractors.* Section 904(a) would require that those who receive assistance under the Federal Food, Drug, and Cosmetic Act pursuant to grants and contracts entered into other than through competitive bidding procedures shall keep such records as the Commissioner shall prescribe including certain fiscal records specified in the subsection.

Section 904(b) would require that the Commissioner and the Comptroller General of the United States, or their representative, be given access to pertinent records for the purpose of audit and examination.

SEC. 907. *Cooperation of Federal agencies.* Section 907(a) would authorize each federal agency, upon request of the Commissioner, to assist the Administration by making its services, personnel and facilities available, with or without reimbursement, and by furnishing to the Administration information as the Commissioner may reasonably determine to be necessary or appropriate for the performance of its functions.

Section 907(b) would authorize the Commissioner to utilize the resources and facilities of the National Bureau of Standards in the Department of Commerce, with or without reimbursement, to enforce compliance or for other purposes related to his authorities under the Federal Food, Drug, and Cosmetic Act.

SEC. 908. *Cooperation with States.* Section 908 would require the Commissioner to establish a program to promote Federal-State cooperation for the purposes of carrying out the Act, including acceptance of assistance from State or local authorities and commissioning of qualified State or local officials as officers of the Commissioner to conduct examinations, investigations, and inspections.

SEC. 909. *Limitation of Construction Authority.* Section 909 prohibits use of funds appropriated to carry out the Act to plan, design, or construct any research or test facilities unless specifically authorized by Congress by other laws.

SEC. 102. *Executive Schedule Level of Commissioner.* Section 102 would amend 5 U.S.C. § 5315 and place the Commissioner, Food and Drug Administration, in executive level IV.

SEC. 103. *Transfers.* Section 103(a) would transfer to the Commissioner of the Food and Drug Administration all functions of the Secretary of Health, Education and Welfare, except those reserved in section 103(e), under the Federal Food, Drug, and Cosmetic Act; the Filled Milk Act; the Federal Import and Milk Act; the Tea Importation Act; the Federal Caustic Poison Act; the Fair Packaging and Labeling Act; subpart 3 of part F of title III of the Public Health Service Act (relating to electronic product radiation); sections 301, 308, 311, 315 and 361 of the Public Health Service Act insofar as such sections relate to food, drugs, devices, cosmetics, electronic products, and other products subject to the jurisdiction of the Commissioner; section 351 and 352 of the Public Health Service Act (relating to biological products); and the Egg Products Inspection Act.

Section 103(b) would transfer to the Commissioner any other function, other than a function reserved by section 103(e), which was vested in the Secretary of HEW by statute or reorganization plan, and delegated to or administered by the FDA immediately before the effective date of the section.

Section 103(c) would transfer to the Commissioner all personnel, property, records, obligations, commitments, and unexpended balances of appropriations, allocations, and other funds used primarily with respect to any office, bureau, or function transferred under this section.

Section 103(d) would require the Civil Service Commission to establish criteria, in consultation with the Commissioner, when preparing competitive examinations for positions in the Administration.

Section 103(e) would reserve to the Secretary of HEW from the authority transferred in subsections (a) and (b) any function the performance of which materially affects authority of the Secretary not transferred or requires the resolution of major issues of national health policy.

Section 103(f) would authorize the Secretary to delegate additional functions to the Commissioner.

SEC. 104. *Savings Provision.* Section 104 would assure an orderly transition by providing that all laws transferred shall remain in full force and effect. Furthermore, all orders, rules, regulations, permits, or other privileges would continue in effect, and no suit, action, or other proceeding would abate by reason by the transfers.

SEC. 105. *Effective Date; Initial Appointment of Officers.* Section 105(a) provides that the Food and Drug Administration Act shall take effect 90 days after the Commissioner takes office, or on such prior date as the President shall publish in the Federal Register.

Section 105(b) authorizes appointment of officers provided in the Act at any time for the date of enactment of this act, notwithstanding section 105(a).

TITLE II—FOOD

Title II may be cited as the "Food Amendments of 1974."

PART A—FOOD LABELING

SEC. 201. *Findings and Declaration.* Declaration of finding that uniform food labeling will enhance the health and welfare of the public and avoid confusion, and that additional conflicting and nonuniform State and local laws regarding food labeling discriminates against and depresses interstate commerce in foods.

SEC. 202. *Food Data.* Amends section 403 of the Federal Food, Drug, and Cosmetic Act to provide that food is misbranded if its package or label contains any dating information unless in accord with regulations of the Secretary. Regulations promulgated under this section shall:

(1) Identify foods for which dating information is necessary to prevent violations of the Federal Food, Drug, and Cosmetic Act;

(2) Require such foods to bear on the package or label information on the date beyond which the food should not be sold at retail (sell date) or the date beyond which such food should not be used or consumed (use date);

(3) Require that such date shall be conspicuously displayed and readily understandable by consumers without reference to any codes;

(4) Require that such date be clearly identified as to whether it is a sell date or use date;

(5) Require a statement on the package or label for recommended storage conditions if such storage conditions are other than at room temperature;

(6) Prohibit the use of other dating information which might be confused with the sell or use date;

(7) For food for which a finding has not been made that dating is needed to prevent violations of the Act, prohibit the use of sell or use dates except in accord with the requirement of paragraphs (1)–(6) above.

The Secretary shall have the authority to determine, after notice and hearing, that a statement regarding a date or storage condition is misleading to consumers.

SEC. 203. Section 301 of the Federal Food, Drug, and Cosmetic Act is amended to provide that it is a prohibited act to sell or display for sale packaged food containing a date pursuant to regulations under section 403 (as amended by section 102 of this Act) if the date has expired, unless the food is—

(1) Clearly identified as being beyond such date; and

(2) Separated from other foods.

SEC. 204. *Food Nutrition Labeling.* Amends section 403 of the Federal Food, Drug, and Cosmetic Act to provide that food is misbranded if it purports to be a food to which nutrients have been added or which claims some nutritional value in its labeling or advertising unless nutrition information on the labeling is in accordance with regulations promulgated by the Secretary.

SEC. 205. *Food Ingredient Labeling.* Section 205(a) strikes the sentence in section 401 of the Act which requires that the Secretary shall designate those optional ingredients which should appear on the label of foods subject to a standard. (This sentence has been interpreted as not permitting the Secretary to require that mandatory ingredients be so listed.)

Section 205(b) amends section 403 of the Act to deem a food misbranded if it purports to be or is labeled as being a food for which a standard of identity has been established unless it conforms to such standard or if its label bears the name of the food specified in the standard.

Section 205(c)(1) amends Section 403 of the Act to require labels of all foods, whether or not subject to a standard, to bear the common or usual name of the food, and in the case of food fabricated from two or more ingredients, the common or usual name of such ingredients except that spices, flavorings, and colorings may be designated as such. To the extent that compliance to this provision is impracticable or results in deception, the Secretary may issue exemptions.

Section 205(c)(2) further amends section 403 to provide that the list of ingredients shall be in the order of their predominance.

SEC. 206. *Effect on State Laws.* Amend chapter IX of the Food, Drug, and Cosmetic Act to add a new section expressing Congressional intent to supersede all laws of the States or political subdivision thereof which now or may hereafter require information on the package or labeling of a food which is different from or in addition to information required on the label or labeling of food under misbranding provisions (sec. 403) of the Food, Drug, and Cosemtic Act, and to supersede all such laws which bear on the compositional requirements that differ from standards established under section 401 of the act (relating to standards and definitions for food) except that States are authorized to establish higher compositional requirements for food produced within the State.

SEC. 207. *Effective Date.* Amendments made by this Title shall take effect on enactment except that the effective date of any regulations shall not be earlier than the first day of the sixth month after the regulations are published as final orders with respect to new or changed labels printed thereafter, and the first day of the thirty sixth month after the final regulations are published with respect to other (not new or changed) labels.

PART B—FOOD ESTABLISHMENT REGISTRATION

SEC. 208. *Findings and Declarations.* Declaration of policy providing that firms engaged wholly in intrastate commerce shall be subject to registration and inspection under this section.

SEC. 209. *Registration of Food Processors.* Amends the Federal Food, Drug, and Cosmetic Act by adding a new section 410.

410(a). Defines: (1) the term "name" to include the name of partners in the case of a partnership and the names of principal corporation officers and the state of incorporation with respect to corporations; and (2) the terms "processing" and "processed" to include manufacturing, processing, packaging, importing, or otherwise handling food.

410(b). On or before December 31 of every even numbered year each person who processes food shall register his name, places of business, and a complete list (in such form as the Secretary may prescribe by regulation) of all foods or classes of foods processed in such establishments and the type of processing being carried out. For the purpose of uniformity, the Secretary may define by regulation food classes and types of processing which shall be proposed within 60 days of enactment. The Secretary may also require annual registration if he finds this necessary.

410(c). Persons upon first beginning the processing of foods shall immediately register with the Secretary.

410(d). Persons registered under this section shall immediately register additional establishments in which they begin processing food.

410(e). The Secretary may assign a registration number to any person or establishment.

410(f). The Secretary shall make available for inspection by the public any registration filed under this section except trade secret or confidential information.

410(g). The Secretary may by regulation exempt classes of persons if registration is not necessary for protection of the public health. (Establishments under the exclusive jurisdiction of the United States Department of Agriculture pursuant to the Acts relating to meat, poultry, and eggs shall be exempt.)

410(h). Establishments registered under this section shall be subject to inspection.

SEC. 210. Sec. 301 of the Federal Food, Drug, and Cosmetic Act is amended to make failure to register a prohibited act.

SEC. 211. Sec. 403 of the Federal Food, Drug, and Cosmetic Act is amended to provide that food from an establishment not properly registered is misbranded.

SEC. 212. Amends section 801(a) of such Act to provide that the Secretary of the Treasury shall refuse entry of any food offered for importation into the United States which was not processed by an establishment registered pursuant to section 410.

SEC. 213. The provision making it a prohibited act not to register and providing that food is misbranded or the provision to refuse entry if food is from a nonregistered plant shall become effective on the first day of the seventh calendar month after enactment.

(b) Persons may, however, register within such seven months of enactment and such registration will be considered as in compliance for the year 1974. If such registration made within such seven month period is in the year 1975, such registration shall be deemed as in compliance with this section for the year 1975.

PART C—FOOD INSPECTION AND CRITICAL CONTROL POINTS

SEC. 214 (a). Amends Section 704 of the Federal Food, Drug, and Cosmetic Act to provide that inspection of food establishments shall extend to critical control points records bearing on whether or not a food is adulterated, if the Secretary determines access to such records is necessary. Critical control points records shall be limited to process flow diagrams, analytical procedures, quality assurance manuals, complaints, and certain of the specified materials bearing on whether or not the food may be adulterated. Such records which constitute trade secrets or other confidential information shall be protected by the Secretary.

(b) Conforming amendment to section 704.

SEC. 215. Chapter IV of the Federal Food, Drug, and Cosmetic Act is amended by adding the following new sections, 411 and 412.

SEC. 411. *Critical Control Points Systems.*

411(a). Within 180 days of enactment, food processors shall establish and put in writing a critical control points system which shall identify the critical control points in the processing chain, evaluate the hazards associated with these points, and establish adequate control and monitoring at such points.

411(b). Critical control points system shall be reviewed annually by processors.

411(c). The written document setting out the critical control points system shall be maintained for two years and shall be subject to inspection by the Secretary.

SEC. 412. Establishment of Critical Control Points Standards.

412(a). Whenever the Secretary finds that food is being processed at a significant number of establishments in a manner that may present an unreasonable risk of adulteration he may establish critical control point standards to reduce such risks. Periodic evaluations of such standard is required to reflect new information or changes in the methods of processing food.

412(b). This subsection sets forth the procedure for establishing such standards. A proceeding to establish a standard shall begin by notice in the Federal Register which shall describe the food to be subject to the standard, the hazards intended to be controlled, and any relevant standards which exist. Such notice shall also contain an invitation for any interested party to offer to develop such a standard.

412(c). If the Secretary finds an existing standard is sufficient, he may publish such standard as a proposed standard.

412(d)(1). The Secretary may accept offers to develop proposed standards if he finds that the offeror is competent to undertake such development.

412(d)(2). The Secretary shall publish the name of any person whose offer is accepted and a summary of the conditions pertaining thereto.

412(d)(3). The Secretary shall by regulation require that any standards developed by an offeror shall be supported by appropriate test data, and that the standards include analytical methods for measurement of com-

pliance, and that interested persons were provided adequate opportunity to participate. The Secretary shall also have authority to require the maintenance of records pertaining to the manner in which the standards were developed including any comments received.

412(e). If the Secretary has not published an existing standard or there was no competent offeror or the offeror fails to develop an appropriate standard the Secretary may, on his own, develop a proposed standard.

412(f). A critical control points standard shall designate any or all of the following:

(1) the food subject to the standard;

(2) the critical control points;

(3) contaminants or practices intended to be eliminated or improved;

(4) sample and analysis methods to be used at critical control points; and

(5) the circumstances under which reports of test results shall be submitted to the Secretary.

412(g). As soon as practicable, the Secretary shall publish a proposed critical control points standard. Interested persons shall have an opportunity to review data or other information upon which the standard is based. The Secretary shall also provide an opportunity for the oral presentation for data, views, and arguments concerning such standard. A transcript of such presentation is required.

412(h). Within 60 days of the publication of the proposed standard adversely affected persons shall be afforded the opportunity to have the standard referred to an advisory committee requiring any scientific or technical aspects. The Secretary shall appoint the advisory committee from appropriately diversified professional and technical fields. Members may be nominated by appropriate scientific, trade, or consumer groups and a representative of consumer interests and a representative of industry interests shall be appointed as non-voting members of the advisory committee. Members of the advisory committee may be compensated (not to exceed GS-18) and shall receive administrative support from the Secretary.

412(i). After considering all data before him, including reports of the advisory committee, the Secretary shall publish a final critical control points standard (which shall not be effective for at least 60 days) or terminate the proceeding. Prior to promulgating a final standard, the Secretary shall consider the risk of hazard the standard is designed to eliminate, the number of foods subject to the standard, the utility, cost or availability of such food, and means of achieving the objectives of the standard with minimal adverse effects on completion or commercial practices.

412(j). The Secretary may revoke standards in whole or in part if a need therefor no longer exists. The Secretary shall publish his reasons for such revocation and permit interested persons to present their views orally or in writing with respect to such proposed revocation. As soon as practicable thereafter the Secretary shall by final order act upon such proposal.

412(k). Secretary may amend a standard. Such amendment shall be subject to 5 U.S.C. 553 and an opportunity to present orally, views and arguments. Interested persons may request referral to an advisory committee.

412(l) Orders promulgating, amending, or revoking standards shall be subject to judicial review by the United States Court of Appeals for the District of Columbia or other appropriate circuit. The Secretary shall file all underlying data and recommendations of the advisory committee with the court. Findings of the Secretary as to the facts, if supported by substantial evidence, shall be conclusive.

412(m). Immediate action to modify a critical control points standard may be taken when there is an immediate threat to public health. The proceedings provided for in this section shall be instituted as soon as practicable thereafter.

412(n). Persons required to comply with the critical control points standard shall maintain certain records as the Secretary may require.

412(o). This section shall not be construed to exempt persons from other provisions of the Federal Food, Drug, and Cosmetic Act.

412(p). The Secretary may exempt foods or classes of foods from this section when such action is not inconsistent with the protection of the public health.

SEC. 216(a). Section 301 of the Federal Food, Drug, and Cosmetic Act is amended to provide that failure to establish a critical control points system is a prohibited act and that failure to comply with a critical control points standard is also a prohibited act.

(b) Section 402 of the Act is amended to provide that food from an establishment not operated in compliance with a critical control points standard is adulterated.

(c) Section 301 of the Federal Food, Drug, and Cosmetic Act is amended to provide failure to provide access to the records required under sections 411 and 412, shall be a prohibited act.

SEC. 217. This part shall take effect immediately upon its enactment.

PART D—FOOD ESTABLISHMENT REPORTING

SEC. 218. Amends chapter III of the Federal Food, Drug, and Cosmetic Act to add a new section 308.

308(a). The Secretary would be authorized to issue orders requiring persons or classes of persons manufacturing, preparing, packaging, labeling, or holding food to submit to him information, documents, records, or data in their possession which may assist him in carrying out the food provisions (chapter IV) of the Act. Such orders shall be published in the Federal Register or sent to any such person and may require the submission of annual or special reports or answers in writing to specific questions within 90 days after such notice. Each order shall specify the information to be submitted with reasonable particularity.

308(b). The district courts of the United States are given jurisdiction to enforce section 308(a) orders upon application of the Attorney General or of the Secretary. Such an action may be brought in the district court for the district wherein the person or establishment is found or transacts business.

308(c). Information obtained through section 308(a) orders (except for information in records required to be kept under other provisions of the Federal Food, Drug, and Cosmetic Act) shall not be used as evidence in any criminal proceeding brought against an individual pursuant to section 303 of the Act.

308(d). Information which is a trade secret and other confidential information shall not be made public in the absence of a waiver of confidentiality from the person from whom the information was obtained.

TITLE III—COSMETICS

SEC. 301. Declaration of finding that it is necessary to provide for registration and inspection of all establishments in which cosmetics are manufactured, processed, prepared, packaged, labeled, or held and that the regulation of interstate commerce in cosmetics, without provision for registration of establishments engaged only in intrastate commerce would discriminate against and depress interstate commerce in such cosmetics.

SEC. 302. Registration of Cosmetic Processors and Cosmetic Formulas.

Section 302 amends the Federal Food, Drug, and Cosmetic Act by adding a new section 604.

604(a) defines terms used in the section.

(1) The terms "process," "processed," or "processing" include manufacturing, processing, preparing, packaging, or holding a cosmetic.

(2) The term "name" shall include in the case of a partnership the name of each partner, and in the case of a corporation, the name appearing on the corporation's charter and of each principal corporate officer and director and the State of incorporation.

(3) The term "owns or operates" means any person who owns, operates, leases, charters, or controls any establishment used in processing a cosmetic.

(4) The term "establishment" means the premises, building, structures, and facilities used in processing cosmetics.

604(b) On or before December 31 of each year, every person who processes cosmetics shall register his name, place of business, and the location of each establishment.

604(c) Persons upon first beginning the processing of cosmetics shall immediately register with the Secretary.

604(d) Persons registered under this section shall immediately register additional establishments in which they begin processing cosmetics.

604(e) (1) Every person required to register shall include the following information in the manner and form requested by the Secretary:

(A) A list of each cosmetic processed in each establishment by brand name.

(B) The product category of each product.

(C) A list of each ingredient used in any cosmetic in descending order of predominance by weight including the percentage of each ingredient in the product. A proprietary mixture of ingredients may be permitted by the Secretary if designated as such and the supplier complies with the other requirements of this section.

(2) The Secretary may also require the submission of the following information:

(A) A quantitative list of ingredients of any cosmetic or class of cosmetic.

(B) A list of all cosmetics that include a particular ingredient, or for which a particular claim is made, or fall in a particular class.

(C) Samples of the labeling of any cosmetic.

(3) Information previously submitted shall not be required in any subsequent registration but the yearly registration must contain all changes in information previously submitted. The Secretary shall specify any changes in information which will be required to be submitted earlier than the yearly registration.

(4) Persons registered shall notify the Secretary of any discontinuance of a cosmetic from processing for commercial distribution and a summary of the reasons for discontinuance shall be provided to the Secretary.

604(f) The Secretary may assign a registration number to any person or establishment.

604(g) Any registration filed under this section will be available for inspection by the public except for trade secrets or confidential information (which shall include quantitative or semi-quantitative compositions of cosmetics).

604(h) The Secretary may by regulation exempt any class of persons or establishments from this section if registration is not necessary for the protection of the public health.

604(i) Every registered establishment is subject to inspection pursuant to section 704.

SEC. 303. *Cosmetic Safety.* Section 303(a) strikes the provision in section 601(a) of the Federal Food, Drug, and Cosmetic Act exempting coal tar hair dye from the Act if such dye bears specified warning labeling.

(b) Amends Chapter VI of the Food, Drug, and Cosmetic Act to add a new section 605.

Section 605(a) requires manufacturers or distributors to substantiate the *safety of*

their cosmetics, as prescribed by the Secretary, before beginning commercial distribution. The Secretary may, before prescribing such tests, obtain all existing data about the safety of cosmetics to determine priorities and exemptions. The Secretary is required to consult with interested consumer, professional, and industry organizations. The manufacturer or distributor is required to maintain documentation of such substantiation for two years.

Section 605(b) requires a manufacturer or distributor to submit to the Secretary summary information relevant to accidental ingestion or misuse of such cosmetic, before commercial distribution. Such information will be available to the public through poison control centers.

Section 605(c) requires the manufacturer or distributor of a product which falls within any screening level defining the product as toxic, an irritant or a sensitizer must notify the Secretary of such fact. The notification shall include the formulation, results of screening tests, and the manufacturer's intentions as to distribution of the cosmetic commercially.

Section 605(d) requires the Secretary to establish a central information office through which any information obtained under this section will be available to doctors, hospitals, poison control centers, and others requesting information concerning treatment of a person injured by a cosmetic.

Section 605(e) exempts from any requirement of this section any cosmetic if the Secretary determines that the requirement is not necessary to protect the public health.

Section 605(f) provides definitions for the terms "toxic," "sensitizer," and "irritant."

SEC. 304. *Cosmetic Labeling.* Section 304(a) amends section 602 of the Federal Food, Drug, and Cosmetic Act to add a new section (g) requiring a cosmetic label to bear, conspicuously and in ordinary terms:

(1) the common or usual name of the cosmetic;

(2) the common or usual name of each ingredient, except that fragrance and flavor may be designated as such without harming each ingredient and that the Secretary may establish other exemptions as necessary.

(b) Would further amend section 602 by adding section (h) which deems a product misbranded if its label fails to bear adequate warnings against use where it may be dangerous to health.

SEC. 305. *Good Manufacturing Practices.* Section 305 amends section 601 of the Act by adding a new paragraph (f) which deems a cosmetic product adulterated if its manufacture, processing, packaging, labeling or holding do not conform to good manufacturing practices.

SEC. 306. *Records and Reports.* Section 306 amends chapter VI of the Federal Food, Drug, and Cosmetic Act by adding a new section 606.

606(a). Requires every person engaged in manufacturing, processing, or distributing a cosmetic to record and report to the Secretary such data as he requires relating to adverse experiences or bearing on violations of the Act.

606(b). Persons required to maintain records must permit agents or employees of the Secretary to have access to and copy and verify such records.

SEC. 307. *Repeal of Coal Tar Hair Dye Exemption.* Section 307 amends section 601(e) of the Federal Food, Drug, and Cosmetic Act by striking the exemption for coal tar hair dye from provisions of the Act which deem a cosmetic adulterated if it contains an unsafe color additive.

SEC. 308. *Repeal of Soap Exemption.* Section 308 amends section 201(i) of the Federal Food, Drug, and Cosmetic Act by striking the provision exempting soap from the definition of cosmetic.

SEC. 309. *Factory Inspection.* Section 309 amends section 704(a) by adding a new sentence authorizing the scope of inspections in cosmetic establishments to extend to all things therein including records, files, papers, processes, controls, and facilities but excluding financial, sales, pricing, personnel and research data bearing on whether a cosmetic is adulterated or misbranded.

SEC. 310. *Prohibited Acts.* Section 310 amends the Federal Food, Drug, and Cosmetic Act to make it a prohibited act to register or to submit any information required by section 604. It would also be a prohibited act to fail to substantiate the safety of a cosmetic as required by section 605 or to keep records as required by sections 605 or 606.

SEC. 311. *Misbranding.* Section 311(a) amends section 602 of the Federal Food, Drug, and Cosmetic Act to provide that a cosmetic product is misbranded if processed in an establishment which was not registered as required under section 604 or if it had not been substantiated for safety in accordance with section 605.

(b) Amends section 801(a) of the Act to require the Secretary to refuse entry of any cosmetic offered for importation which was processed in an unregistered establishment or one not exempted.

SEC. 312. *Effective dates.* Section 312(a). The Amendments shall take effect immediately unless otherwise provided.

(b) Cosmetic processors are required to register within three months after regulations are promulgated and forms are available.

(c) Cosmetics commercially distributed on the day immediately preceding enactment shall not be subject to section 301(r) (requiring the testing and keeping of test records) for a period of two years after the enactment of the Act. The Secretary for good cause may extend such period for an additional year.

(d) Section 602(g) takes effect on the enactment date of this Act, except that for labels printed prior to four months after the date of enactment the effective date will be one year after enactment.

INTRODUCTION OF LEGISLATION TO AMEND EXPORT-IMPORT ACT OF 1945

(Mr. ROUSSELOT asked and was given permission to revise and extend his remarks.)

Mr. ROUSSELOT. Mr. Speaker, I am today introducing legislation which would amend the Export-Import Bank Act of 1945 to strengthen the oversight role of Congress with respect to extensions of credit by the Bank, and for other purposes. My bill will amend the act in four instances:

First. Section 2(b)(2) of the act would be amended to prohibit the Bank from guaranteeing, insuring, or extending credit, or participating in any extension of credit to a Communist country unless the Congress determines each such transaction would be in the national interest through the adoption of a concurrent resolution. A controversy has recently arisen over the fact that the Bank has been extending credits to the Soviet Union without the President making a determination that each individual transaction was in the national interest and reporting this finding to the Congress, as the law now requires. It is the administration's, and the Bank's, position that on October 18, 1972, President Nixon determined it to be in the national interest for Eximbank to extend credits to the Soviet Union, and a separate determination of national interest for each individual transaction is not required.

Senator RICHARD SCHWEIKER requested a ruling from the General Accounting Office, and in response, Comptroller General Staats stated in a March 8 letter to the Senator:

> Thus the language of section 2(b)(2) of the present act, together with its legislative history, clearly requires a separate determination for each transaction.

On March 11 Eximbank suspended consideration of credits to the Soviet Union and three other Communist countries pending clarification of this point. Attorney General Saxbe upheld the legality of the Bank's actions on March 22 that the law does not require a separate Presidential determination and report to Congress for each transaction. The Bank celebrated by approving a $44.4 million package of loans to the Soviet Union that same day to finance the construction of the trade center, as well as the shipment and installation of machinery for a motor factory, a canal, and a valvemaking plant.

My amendment would remove any doubt that a determination is required for each individual transaction, and would provide that Congress, not the President, make this determination through the adoption of a concurrent resolution. The Constitution gives Congress the power "to regulate Commerce with foreign nations." I believe Congress has delegated away too many of its constitutional responsibilities to the executive branch, and this amendment would give us the opportunity to grasp control of a most important constitutional prerogative.

Second. Section 2(b)(3) of the act would be amended to prohibit the Bank from guaranteeing, insuring, or extending credit, or participating in the extension of credit to any nation which is engaged in armed conflict with the Armed Forces of the United States unless Congress determines each such transaction to be in the national interest through the approval of a concurrent resolution.

Third. Section 2(b) of the act would be further amended to prohibit the Bank from guaranteeing, insuring, or extending credit, or participating in the extension of credit with respect to any nonmarket economy country which denies its citizens the right of emigration. This amendment would incorporate the language of the Mills-Vanik amendment as it applies to the operations of the Export-Import Bank. By a recorded vote of 319 to 80, the House adopted a floor amendment offered by Congressman CHARLES VANIK to the Trade Reform Act (H.R. 10710) which would deny loans, credits, and guarantees to any nonmarket economy country which does not recognize the right of its citizens to emigrate. My amendment to the act would be consistent with the strong position taken by the House when it overwhelmingly approved the Vanik amendment to the trade bill.

Fourth. Section 11 of the Export-Im-

port Bank Act would be repealed. This section allows private participation in the operations of Eximbank in spite of the provisions in the Johnson Debt Default Act (18 U.S.C. 955). The Johnson Debt Default Act prohibits private parties from making loans to a foreign government which is in default in the payment of its obligations to the United States—with the exception of foreign governments which are members of both the International Monetary Fund and the International Bank for Reconstruction and Development.

The U.S.S.R. is clearly in default of its payments on debts owed to the United States. More than $11 billion was made available to the U.S.S.R. for defense-related items in the years 1941–46. Under the terms of the October 18, 1972, Lend Lease Settlement, the U.S.S.R. will only repay $722 million of this $11 billion. To date only $36 million has been paid, and the next payment of $12 million is not scheduled to be made until July 1, 1975. The U.S.S.R. is atttempting to blackmail the United States into extending most-favored-nation status by requiring MFN treatment as a condition before payments on the remaining $674 million will be scheduled. This is an intolerable situation, and one which Congress must take a position on, to demonstrate to the Soviet Government that we will not be coerced into submission.

The full text of the bill I am introducing today is as follows:

H.R. 14257

A bill to amend the Export-Import Bank Act of 1945 to strengthen the oversight role of Congress with respect to extension of credit by the Bank, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 2(b)(2) of the Export-Import Bank Act of 1945 is amended by striking out "President determines would be in the national interest if he reports that determination to the Senate and House of Representatives within thirty days after making the same." and inserting in lieu thereof the following: "Congress determines would be in the national interest. Such determination shall be made with respect to each such transaction through the adoption of a concurrent resolution during the first period of continuous session of Congress after the date on which the Bank requests, in writing, that Congress consider adoption of such a resolution. For the purpose of this paragraph, continuity of session is broken only by an adjournment of Congress sine die, and the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in the computation of the thirty-day period."

(b) The second sentence of section 2(b)(3) of the Export-Import Bank Act of 1945 is amended by striking out "if the President determines that any such transaction would be contrary to the national interest." and inserting in lieu thereof the following: "unless Congress determines that such transaction would be in the national interest. Such determination shall be made with respect to each such transaction through the adoption of a concurrent resolution during the first period of thirty calendar days of continuous session of Congress after the date on which the Bank requests, in writing, that Congress consider adoption of such a resolution. For purposes of this paragraph, continuity of session is broken only by an adjournment of Congress sine die, and the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in the computation of the thirty-day period."

(c) Section 2(b) of the Export-Import Bank Act of 1945 is amended by redesignating paragraph (5) as paragraph (6) and inserting immediately after paragraph (4) the following new paragraph:

"(5) The Bank shall not guarantee, insure or extend credit, or participate in any extension of credit with respect to any nonmarket economy country which—

"(A) denies its citizens the right or opportunity to emigrate;

"(B) imposes more than a nominal tax on emigration or on the visas or other documents required for emigration, for any purpose or cause whatsoever; or

"(C) imposes more than a nominal tax levy, fine, fee, or other charge on any citizen as a consequence of the desire of such citizen to emigrate to the country of his choice;

until such time as the country is no longer in violation of this paragraph."

Sec. 2. Section 11 of the Export-Import Bank Act of 1945 is repealed, and section 12 of such Act is redesignated as section 11.

TOM STEED, WILLING SERVANT

(Mr. ALBERT, at the request of Mr. VANDER VEEN, asked and was given permission to revise and extend his remarks at this point in the RECORD).

Mr. ALBERT. Mr. Speaker, I know that all of my colleagues will join me in celebrating the news that TOM STEED will seek a 14th consecutive term. His decision to remain in the House benefits both the Fourth District of Oklahoma and the Nation. TOM STEED has been my close friend since I was a boy and has given me unselfishly the wisest counsel at every step of my career. I concur completely with a recent editorial in the Lawton Constitution which lauds TOM STEED's impressive record in the Congress and his decision to seek reelection:

[From the Lawton (Okla.) Constitution, Mar. 18, 1974]

TOM STEED, WILLING SERVANT

The announcement by U.S. Rep. Tom Steed that he will seek a 14th consecutive term in the House of Representatives is welcome news to most citizens of Lawton and the Fourth Congressional District. Steed's decision to seek re-election came after he received a favorable report on his health. This cleared up the last reservation the veteran lawmaker has had about whether he would run again. Steed celebrated his 70th birthday March 2 and appears as healthy and energetic as ever. His vitality and depth of knowledge about legislative activities in Washington continue to amaze his followers.

As a ranking member of the House Appropriations committee, Cong. Steed carries a big stick in Washington and has carried much of the burden of protecting Oklahoma's vital military installations from drastic cutbacks or closings. Fort Sill currently is enjoying a record-breaking construction program to provide improved facilities for Army personnel. Steed also was one of the original authors and a long-time supporter of federal aid to impacted school districts such as Lawton, Altus, Midwest City and others.

Although Steed isn't likely to get by without an opponent, no one of stature has been mentioned as a possible candidate. Too many backers stand ready to help the hard-working congressman should the need arise.

GENERAL LEAVE

Mr. VANDER VEEN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks and to include extraneous material on the subject of the special order today of the gentleman from California (Mr. EDWARDS).

The SPEAKER pro tempore (Mr. MCFALL). Is there objection to the request of the gentleman from Michigan?

There was no objection.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

Mr. PEPPER (at the request of Mr. MCFALL), for today, on account of official business.

Mr. COTTER (at the request of Mr. MCFALL), for today, on account of illness.

Mr. HELSTOSKI (at the request of Mr. MCFALL), for today, on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. MALLARY) to revise and extend their remarks and include extraneous matter:)

Mr. FORSYTHE, for 5 minutes, today.

Mr. WHALEN, for 5 minutes, on April 22.

Mr. TALCOTT, for 5 minutes, today.

Mr. BAUMAN, for 30 minutes, today.

Mrs. HECKLER of Massachusetts, for 5 minutes, today.

Mr. YOUNG of Illinois, for 5 minutes, today.

Mr. WALSH, for 5 minutes, today.

Mr. HOGAN, for 5 minutes, today.

(The following Members (at the request of Mr. VANDER VEEN) to revise and extend their remarks and include extraneous matter:)

Mr. EILBERG, for 10 minutes, today.

Mr. GONZALEZ, for 5 minutes, today.

Mr. O'NEILL, for 5 minutes, today.

Mr. RODINO, for 10 minutes, today.

Mr. STAGGERS, for 5 minutes, today.

Mr. MEZVINSKY, for 5 minutes, today.

Mr. DRINAN, for 20 minutes, today.

Mr. MCFALL, for 5 minutes, today.

Mr. DOMINICK V. DANIELS, for 5 minutes, today.

Mr. BRADEMAS, for 5 minutes, today.

Mr. MELCHER, for 5 minutes, today.

Mr. OWENS, for 20 minutes, today.

Mr. EDWARDS of California, for 5 minutes, today.

Mr. WAGGONNER, for 10 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. ROGERS, and to include extraneous matter notwithstanding the fact that it exceeds four pages of the CONGRESSIONAL RECORD and is estimated by the Public Printer to cost $836.

The following Members (at the request of Mr. MALLARY) and to include extraneous matter:)

Mr. WYDLER.
Mr. FORSYTHE in two instances.
Mr. VANDER JAGT.
Mr. HANRAHAN in four instances.
Mr. ESCH.
Mr. SARASIN in two instances.
Mr. GILMAN.
Mr. HOSMER in two instances.
Mr. HUDNUT.
Mr. BROWN of Michigan.
Mr. BAUMAN in two instances.
Mr. HUTCHINSON.
Mr. WYMAN in two instances.
Mr. RAILSBACK.
Mr. FINDLEY in five instances.
Mr. MYERS in three instances.
Mr. BROWN of Michigan.
Mr. FRENZEL in five instances.
Mr. REGULA.
Mr. MIZELL in five instances.
Mr. DERWINSKI.
Mr. VEYSEY in three instances.
Mr. CLEVELAND in three instances.
Mr. NELSEN.
Mr. LOTT.
Mr. HOGAN.
Mr. KEMP in two instances.

(The following Members (at the request of Mr. VANDER VEEN), and to include extraneous material:)

Mr. BADILLO in two instances.
Mr. O'NEILL in two instances.
Mr. MCSPADDEN.
Mr. DENT.
Mr. SYMINGTON.
Mr. OWENS.
Mr. RODINO.
Mr. GONZALEZ in three instances.
Mr. RARICK in three instances.
Mr. CHAPPELL.
Mr. HUNGATE.
Mr. MCCORMACK in two instances.
Mr. HAMILTON.
Mr. MILFORD in two instances.
Mr. CULVER.
Mr. FLOOD in five instances.
Mr. ROONEY of New York in three instances.
Mr. CAREY of New York in two instances.
Mr. BOLAND in two instances.
Mr. BURKE of Massachusetts.
Mr. ANDERSON of California in two instances.
Mr. MOORHEAD of Pennsylvania in five instances.
Mr. WALDIE in three instances.
Mr. YATRON.
Mr. ALEXANDER.
Mr. DONOHUE.
Mr. ROYBAL.
Mr. STOKES in five instances.
Mr. HARRINGTON in five instances.
Mr. MOAKLEY in 10 instances.
Mr. EVINS of Tennessee in two instances.

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 3304. An act to authorize the Secretary of State or such officer as he may designate to conclude an agreement with the People's Republic of China for indemnification for any loss or damage to objects in the "Exhibition of the Archeological Finds of the People's Republic of China" while in the possession of the Government of the United States; to the Committee on Foreign Affairs.

ENROLLED BILL SIGNED

Mr. HAYS, from the Committee on House Administration, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 12109. An act to amend the District of Columbia Self-Government and Governmental Reorganization Act to clarify the provision relating to the referendum on the issue of the advisory neighborhood councils.

SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 1745. An act to provide financial assistance for research activities for the study of sudden infant death syndrome, and for other purposes.

ADJOURNMENT

Mr. VANDER VEEN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 40 minutes p.m.), pursuant to the provisions of House Concurrent Resolution 475, the House adjourned until Monday, April 22, 1974, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2178. A letter from the President of the United States, transmitting an amendment to the request for appropriations for fiscal year 1975 for the Civil Service Commission (H. Doc. No. 93-285); to the Committee on Appropriations and ordered to be printed.

2179. A letter from the President of the United States, transmitting amendments to the requests for appropriations for fiscal year 1975 for the Department of the Interior and the National Council on Indian Opportunity (H. Doc. No. 93-286); to the Committee on Appropriations and ordered to be printed.

2180. A letter from the Deputy Secretary of Defense, transmitting two reports of violation of section 3679, Revised Statutes, pursuant to 31 U.S.C. 665(i)(2); to the Committee on Appropriations.

2181. A letter from the Director, Defense Civil Preparedness Agency, transmitting a report on property acquisitions of emergency supplies and equipment, covering the quarter ended March 31, 1974, pursuant to 50 U.S.C. App. 2281(h); to the Committee on Armed Services.

2182. A letter from the Assistant Secretary of State for Congressional Relations, transmitting a report of proposed revisions in the fiscal year 1974 country and international organization allocations for the International Narcotics Program, pursuant to 22 U.S.C. 2413(a); to the Committee on Foreign Affairs.

2183. A letter from the Assistant Legal Adviser for Treaty Affairs, Department of State, transmitting copies of international agreements other than treaties entered into by the United States, pursuant to section 112(b) of Public Law 92-403; to the Committee on Foreign Affairs.

2184. A letter from the Vice President, Advisory Council on Historic Preservation, transmitting the comments of the Advisory Council on the General Services Administration's proposed construction of a new Federal Home Loan Bank Board building in the 1700 block of G Street, N.W., Washington, D.C., as it affects the Winder Building and other historic properties included in or eligible for inclusion in the National Register of Historic Places, pursuant to 16 U.S.C. 470j(b); to the Committee on Interior and Insular Affairs.

2185. A letter from the Director of Federal Affairs, National Railroad Passenger Corporation, transmitting the financial report of the Corporation for the month of December 1973, pursuant to section 308(a)(1) of the Rail Passenger Service Act of 1970, as amended; to the Committee on Interstate and Foreign Commerce.

2186. A letter from the Administrator, National Aeronautics and Space Administration, transmitting notice of the nature, and estimated cost of a major NASA research and development facility construction project at Santa Susana, Calif., pursuant to section 1(d) of Public Law 93-74; to the Committee on Science and Astronautics.

RECEIVED FROM THE COMPTROLLER GENERAL

2187. A letter from the Comptroller General of the United States, transmitting a report on the examination of the financial statements of the Inter-American Foundation as of June 30, 1973, pursuant to 31 U.S.C. 851 (H. Doc. No. 93-287); to the Committee on Government Operations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. HALEY: Committee on Interior and Insular Affairs. H.R. 510. A bill to authorize and direct the Secretary of Agriculture to convey any interest held by the United States in certain property in Jasper County, Ga., to the Jasper County Board of Education; with amendment (Rept. No. 93-986). Referred to the Committee of the Whole House on the State of the Union.

Mr. HALEY: Committee on Interior and Insular Affairs. H.R. 5641. A bill to authorize the conveyance of certain lands to the New Mexico State University, Las Cruces, N. Mex.; with amendment (Rept. No. 93-987). Referred to the Committee of the Whole House on the State of the Union.

Mr. HALEY: Committee on Interior and Insular Affairs. H.R. 7188. A bill to modify the boundary of the Cibola National Forest, and for other purposes; with amendment (Rept. No. 93-988). Referred to to the Committee of the Whole House on the State of the Union.

Mr. HALEY: Committee on Interior and Insular Affairs. H.R. 12884. A bill to designate certain lands as wilderness (Rept. No. 93-989). Referred to the Committee of the Whole House on the State of the Union.

Mr. MOORHEAD of Pennsylvania: Committee on Government Operations. H.R. 12462. A bill to amend the Freedom of Information Act to require that information be made available to Congress (Rept. 93-990). Referred to the Committee of the Whole House on the State of the Union.

Mr. DORN: Committee on Veterans' Affairs. H.R. 14117. A bill to amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans, and the rates of dependency and indemnity compensation for their survivors, and for other purposes (Rept. No. 93-991). Referred to

the Committee of the Whole House on the State of the Union.

Mr. HALEY: Committee on Interior and Insular Affairs. H.R. 296. A bill to amend the act of June 27, 1960 (74 Stat. 220), relating to the preservation of historical and archeological data; with amendment (Rept. 93–992). Referred to the Committee of the Whole House on the State of the Union.

Mr. CAREY of New York: Committee on Ways and Means. H.R. 11452. A bill to correct an anomaly in the rate of duty appplicable to crude feathers and downs, and for other purposes; with amendment (Rept. No. 93–993). Referred to the Committee of the Whole House on the State of the Union.

Mr. LANDRUM: Committee on Ways and Means. H.R. 12035. A bill to suspend for a 1-year period the duty on certain carboxymethyl cellulose salts; with amendment (Rept. No. 93–994). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ANDERSON of California:

H.R. 14201. A bill to amend the National Housing Act to authorize FHA insurance of mortgages covering sales of individual condominum units meeting the requirements for such insurance without regard to whether or not such units are part of an FHA–insured project; to the Committee on Banking and Currency.

By Mr. BINGHAM (for himself, Mr. BADILLO, Mr. BRASCO, Ms. CHISHOLM, Mr. FISH, Mr. HORTON, Mr. KOCH, Mr. MURPHY of New York, Mr. PODELL, Mr. RANGEL, and Mr. ROSENTHAL):

H.R. 14202. A bill to amend title XVI of the Social Security Act to provide for emergency assistance grants to recipients of supplemental security income benefits, to authorize cost-of-living increases in such benefits and in State supplementary payments, to prevent reductions in such benefits because of social security benefit increases, to provide reimbursement to States for home relief payments to disabled applicants prior to determination of their disability, to permit payment of such benefits directly to drug addicts and alcoholics (without a third-party payee) in certain cases, and to continue on a permanent basis the provision making supplemental security income recipients eligible for food stamps; to the Committee on Ways and Means.

By Mr. BROWN of Michigan (for himself, and Mr. WYMAN):

H.R. 14203. A bill to regulate Federal campaign contributions and expenditures; to the Committee on House Administration.

By Mr. BUCHANAN (for himself, Mr. BEVILL, Mr. DICKINSON, Mr. EDWARDS of Alabama, Mr. FLOWERS, Mr. JONES of Alabama, and Mr. NICHOLS):

H.R. 14204. A bill to prohibit for a temporary period the exportation of ferrous scrap, and for other purposes; to the Committee on Banking and Currency.

By Mr. CAREY of New York:

H.R. 14205. A bill to amend title XVI of the Social Security Act to provide for emergency assistance grants to recipients of supplemental security income benefits, to authorize cost-of-living increases in such benefits and in State supplementary payments, to prevent reductions in such benefits because of social security benefit increases, to provide reimbursement to States for home relief payments to disabled applicants prior to determination of their disability, to permit payment of such benefits directly to drug addicts and alcoholics (without a third-party payee) in certain cases, and to continue on a permanent basis the provision making supplemental security income recipients eligible for food stamps; to the Committee on Ways and Means.

By Mr. CLANCY:

H.R. 14206. A bill to amend the Small Business Act to authorize additional loan assistance for disaster victims and for other purposes; to the Committee on Banking and Currency.

By Mrs. HECKLER of Massachusetts:

H.R. 14207. A bill to amend title 13, United States Code, to provide for a mid-decade sample survey of population, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. LENT:

H.R. 14208. A bill to amend title XVI of the Social Security Act to provide for emergency assistance grants to recipients of supplemental security income benefits, to authorize cost-of-living increases in such benefits and in State supplementary payments, to prevent reductions in such benefits because of social security benefit increases, to provide reimbursement to States for home relief payments to disabled applicants prior to determination of their disability, to permit payment of such benefits directly to drug addicts and alcoholics (without a third-party payee) in certain cases, and to continue on a permanent basis the provision making supplemental security income recipients eligible for food stamps; to the Committee on Ways and Means.

By Mr. McFALL:

H.R. 14209. A bill to regulate commerce by assuring adequate supplies of energy resource products will be available at the lowest possible cost to the consumer, and for other purposes; to the Committee on Interstate and Foreign Commerce.

H.R. 14210. A bill to amend the Internal Revenue Code of 1954 to provide that individuals shall be entitled to a refundable tax credit equal to 25 percent of the amount expended for gasoline in connection with employment-related travel, and for other purposes; to the Committee on Ways and Means.

By Mr. PRICE of Texas:

H.R. 14211. A bill to prohibit the importation into the United States of any fresh, chilled, or frozen cattle meat during a 180-day period; to the Committee on Ways and Means.

By Mr. REES:

H.R. 14212. A bill to authorize the District of Columbia Council to provide for an increase in compensation for police and firemen in the District of Columbia, to establish a police and firemen's personnel board and for other purposes; to the Committee on the District of Columbia.

By Mr. ROGERS (for himself, Mr. KYROS, Mr. PREYER, Mr. SYMINGTON, Mr. ROY, Mr. NELSEN, Mr. HASTINGS, and Mr. HUDNUT):

H.R. 14213. A bill to amend the Controlled Substances Act to extend for 3 fiscal years the authorizations of appropriations for the administration and enforcement of that act; to the Committee on Interstate and Foreign Commerce.

By Mr. ROGERS (for himself, Mr. SATTERFIELD, Mr. KYROS, Mr. PREYER, Mr. SYMINGTON, Mr. ROY, Mr. NELSEN, Mr. CARTER, Mr. HASTINGS, Mr. HEINZ, and Mr. HUDNUT):

H.R. 14214. A bill to amend the Public Health Services Act and related laws, to revise and extend programs of health revenue sharing and health services, and for other purposes; to the Committee on Interstate and Foreign Commerce.

H.R. 14215. A bill to amend the Developmental Disabilities Services and Facilities Construction Act to revise and extend the programs authorized by that act; to the Committee on Interstate and Foreign Commerce.

By Mr. ROSENTHAL:

H.R. 14216. A bill to amend title XVI of the Social Security Act to provide for emergency assistance grants to recipients of supplemental security income benefits, to authorize cost-of-living increases in such benefits and in State supplementary payments, to prevent reductions in such benefits because of social security benefit increases, to provide reimbursement to States for home relief payments to disabled applicants prior to determination of their disability, to permit payment of such benefits directly to drug addicts and alcoholics (without a third-party payee) in certain cases, and to continue on a permanent basis the provision making supplemental security income recipients eligible for food stamps; to the Committee on Ways and Means.

By Mr. TAYLOR of North Carolina (for himself, Mr. SKUBITZ, Mr. HALEY, Mr. HOSMER, Mr. KASTENMEIER, Mr. DON H. CLAUSEN, Mr. JOHNSON of California, Mr. O'HARA, Mr. CRONIN, Mr. RONCALIO of Wyoming, Mr. DE LUGO, Mr. WON PAT, Mr. SEIBERLING, Mr. ROUSH, Mr. ANDREWS of North Dakota, Mr. GREEN of Pennsylvania, Mr. JOHNSON of Colorado, Mr. DOWNING, Mr. FRELINGHUYSEN, Mr. HENDERSON, Mr. CARTER, Mr. MORGAN, Mr. BENITEZ, Mr. FASCELL, and Mr. EILBERG):

H.R. 14217. A bill to provide for increases in appropriation ceilings and boundary changes in certain units of the National Park System, to authorize appropriations for additional costs of land acquisition for the National Park System, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. TAYLOR of North Carolina (for himself, Mr. SKUBITZ, Mr. HALEY, Mr. HOSMER, Mr. RODINO, Mr. BRADEMAS, Mr. HAMILTON, Mr. ROE, Mr. COUGHLIN, Mr. THOMPSON of New Jersey, Mr. NIX, Mr. HUNT, Mr. FORSYTHE, Mr. SANDMAN, Mr. WIDNALL, and Mr. BARRETT):

H.R. 14218. A bill to provide for increases in appropriation ceilings and boundary changes in certain units of the National Park System, to authorize appropriations for additional costs of land acquisition for the National Park System, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. WALSH:

H.R. 14219. A bill to prohibit any regulated public utility from expanding any money for promotional advertising purposes during any period when electricity or natural gas is determined to be in short supply, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. WINN (for himself, Mr. FROEHLICH, Mrs. BURKE of California, and Mr. HAMMERSCHMIDT):

H.R. 14220. A bill to authorize the Administrator of the National Aeronautics and Space Administration to conduct research and development programs to increase knowledge of tornadoes, hurricanes, large thunderstorms, and other types of short-term weather phenomena, and to develop methods for predicting, detecting, and monitoring such atmospheric behavior; to the Committee on Science and Astronautics.

By Mr. MOSS (for himself, Mr. JOHNSON of California, Mr. MCCLOSKEY, Mr. LEGGETT, Mr. MCFALL, Mr. ABDNOR, Mr. WALDIE, Mr. RYAN, Mr. EDWARDS of California, Mrs. SCHROEDER, Mr. SISK, Mr. UDALL, Mr. THONE, Mr. MCCOLLISTER, and Mr. ZWACH):

H.R. 14221. A bill to provide for the review of increases promulgated by the Secretary of the Interior on November 1, 1973, in rates

for electric power sold at five Bureau of Reclamation projects, and for other purposes; to the Committee on Interstate and Foreign Commerce. Referred to the Committee on Interior and Insular Affairs.

By Ms. ABZUG (for herself, Mr. RANGEL, Mr. HANLEY, and Mr. STRATTON):

H.R. 14222. A bill to amend title XVI of the Social Security Act to provide for emergency assistance grants to recipients of supplemental security income benefits, to authorize cost-of-living increases in such benefits and in State supplementary payments, to prevent reductions in such benefits because of social security benefit increases, to provide reimbursement to States for home relief payments to disabled applicants prior to determination of their disability, to permit payment of such benefits directly to drug addicts and alcoholics (without a third-party payee) in certain cases, and to continue on a permanent basis the provision making supplemental security income recipients eligible for food stamps; to the Committee on Ways and Means.

By Ms. ABZUG (for herself and Mrs. BURKE of California):

H.R. 14223. A bill to amend title I of the Omnibus Crime Control and Safe Streets Act of 1968 to establish a National Center for the Prevention and Control of Rape and Other Sexual Assaults, and to provide financial assistance for a research and demonstration program into the causes, consequences, prevention, treatment, and control of rape and other sexual assaults; to the Committee on the Judiciary.

By Mr. BINGHAM (for himself and Mr. EDWARDS of California):

H.R. 14224. A bill to amend the Economic Stabilization Act, to establish objectives and standards governing imposition of controls after April 30, 1974, to create an Economic Stabilization Administration, to establish a mechanism for congressional action when the President fails to act, and for other purposes; to the Committee on Banking and Currency.

By Mr. BRADEMAS (for himself, Mr. PERKINS, Mr. QUIE, and Mr. ESHLEMAN):

H.R. 14225. A bill to amend and extend the Rehabilitation Act of 1973 for 1 additional year; to the Committee on Education and Labor.

By Mr. BURLESON of Texas (for himself, Mr. PETTIS, and Mr. WAGGONNER):

H.R. 14226. A bill to amend the Internal Revenue Code of 1954 to provide for more equitable taxation of transfers of capital during life and at death; to the Committee on Ways and Means.

By Mr. CHAPPELL:

H.R. 14227. A bill to establish an Antitrust Revision Commission; to the Committee on the Judiciary.

By Mr. CONABLE (for himself, Mrs. GRASSO, Mr. RANGEL, Mr. ROBISON of New York, Mr. TIERNAN, Mr. VANDER JAGT, Mr. VEYSEY, and Mr. YOUNG of Illinois):

H.R. 14228. A bill to amend title XVIII of the Social Security Act to establish a program of long-term care services within the medicare program, to provide for the creation of community long-term care centers and State long-term care agencies as part of a new administrative structure for the organization and delivery of long-term care services, to provide a significant role for persons eligible for long-term care benefits in the administration of the program, and for other purposes; to the Committee on Ways and Means.

By Mr. CRANE:

H.R. 14229. A bill to amend the Internal Revenue Code of 1954 to provide that an individual shall be entitled to a tax credit equal to the amount by which the purchasing power of his adjusted gross income for the taxable year is reduced by inflation, and to increase to $1,200 the personal income tax exemptions; to the Committee on Ways and Means.

By Mr. CULVER (for himself, Mr. MCCORMACK, Mr. YATES, Mr. FOUNTAIN, Mr. PEPPER, Mr. MOAKLEY, Mr. DRINAN, Mrs. SCHROEDER, Mr. KEMP, Mr. WHITEHURST, Mr. FORD, Mr. HECHLER of West Virginia, Mr. ADDABBO, Mr. GONZALEZ, Mr. RONCALIO of Wyoming, Mr. PODELL, Mr. BAFALIS, Mr. DENT, Mr. ROSENTHAL, Mr. ROE, Mr. BOLAND, Mr. FASCELL, Mr. LEHMAN, Mr. CHARLES WILSON of Texas, and Mr. DENHOLM):

H.R. 14230. A bill to direct the President to conduct a study of foreign investment in the United States and to report to Congress the results of such study, including in such study and report a comparison of implications of foreign investment in the United States with implications of foreign investment in other countries, an analysis of the regulation of foreign investment in the United States and in other countries, and a consideration of alternative policy options concerning foreign investment available to the United States, taking into account the U.S. national interest as it relates to the protection of domestic economic interests and to the fostering of commercial intercourse between nations; to the Committee on Foreign Affairs.

By Mr. CULVER (for himself, Mr. REES, Mr. MEZVINSKY, Mr. SCHNEEBELI, Mr. ROYBAL, Mr. BINGHAM, Mr. LONG of Louisiana, Mr. STARK, Mr. SARBANES, Mr. MITCHELL of Maryland, Mr. GIBBONS, Mr. WON PAT, Mr. PREYER, Mr. BURGENER, Mr. LUJAN, Mr. MURTHA, Mr. BROOKS, Mr. EDWARDS of California, Mr. FRASER, Mr. MATSUNAGA, Mr. VEYSEY, Mr. ZABLOCKI, Mr. YATRON, Mr. WOLFF, and Mr. DAVIS of Georgia):

H.R. 14231. A bill to direct the President to conduct a study of foreign investment in the United States and to report to Congress the results of such study, including in such study and report a comparison of implications of foreign investment in the United States with implications of foreign investment in other countries, an analysis of the regulation of foreign investment in the United States and in other countries, and a consideration of alternative policy options concerning foreign investment available to the United States, taking into account the U.S. national interest as it relates to the protection of domestic economic interests and to the fostering of commercial intercourse between nations; to the Committee on Foreign Affairs.

By Mr. CULVER (for himself, Mr. BURKE of Florida, Mr. VANDER JAGT, Mr. WHALEN, Mr. GILMAN, Mr. HARRINGTON, Mr. RYAN, Mr. STEELE, Mr. STOKES, Mr. J. WILLIAM STANTON, Mr. ASHLEY, and Mr. GUDE):

H.R. 14232. A bill to direct the President to conduct a study of foreign investment in the United States and to report to Congress the results of such study including in such study and report a comparison of implications of foreign investment in the United States with implications of foreign investment in other countries, an analysis of the regulation of foreign investment in the United States and in other countries, and a consideration of alternative policy options concerning foreign investment available to the United States, taking into account the U.S. national interest as it relates to the protection of domestic economic interests and to the fostering of commercial intercourse between nations; to the Committee on Foreign Affairs.

By Mr. DERWINSKI:

H.R. 14233. A bill to provide most-favored-nation status to Bulgaria, Czecholslovakia, Hungary, and Rumania; to the Committee on Ways and Means.

By Mr. DONOHUE:

H.R. 14234. A bill to provide for the orderly transition from mandatory economic controls, continued monitoring of the economy, and for other purposes; to the Committee on Banking and Currency.

By Mr. FISH:

H.R. 14235. A bill to amend the Federal Aviation Act of 1958 to authorize reduced rate transportation for elderly people on a space-available basis; to the Committee on Interstate and Foreign Commerce.

H.R. 14236. A bill to amend section 403 (b) of the Federal Aviation Act of 1958 to permit the continuation of youth fares; to the Committee on Interstate and Foreign Commerce.

By Mr. FORD (for himself, Mr. ASPIN, Mr. BRADEMAS, Mrs. CHISHOLM, Mr. DRINAN, Mr. EDWARDS of California, Mr. HARRINGTON, Mr. HECHLER of West Virginia, Mr. MEEDS, Mr. MORGAN, Mr. PODELL, Mr. STOKES, Mr. CHARLES H. WILSON of California, and Mr. WON PAT):

H.R. 14237. A bill to amend the Fair Labor Standards Act of 1938, to require prenotification to affected employees and communities of dislocation of business concerns, to provide assistance (including retraining) to employees who suffer employment loss through the dislocation of business concerns, to business concerns threatened with dislocation, and to affected communities, to prevent Federal support for unjustified dislocations, and for other purposes; to the Committee on Education and Labor.

By Mr. FORD (for himself, Mr. CONYERS, Mr. DIGGS, Mr. DINGELL, Mr. O'HARA, and Mr. VANDER VEEN):

H.R. 14238. A bill to amend the Fair Labor Standards Act of 1938, to require prenotification to affected employees and communities of dislocation of business concerns, to provide assistance (including retraining) to employees who suffer employment loss through the dislocation of business concerns, to business concerns threatened with dislocation, and to affected communities, to prevent Federal support for unjustified dislocation, and other purposes; to the Committee on Education and Labor.

By Mr. GILMAN:

H.R. 14239. A bill to amend title XVI of the Social Security Act to provide for emergency assistance grants to recipients of supplemental security income benefits, to authorize cost-of-living increases in such benefits and in State supplementary payments, to prevent reductions in such benefits because of social security increases, to provide reimbursement to States for home relief payments to disabled applicants prior to determination of their disability, to decrease the amount by which a recipient's payments are reduced for support and maintenance from 33⅓ percent to 10 percent, and to continue on a permanent basis the provision making supplemental security income recipients eligible for food stamps; to the Committee on Ways and Means.

By Mr. GILMAN (for himself and Mr. FISH):

H.R. 14240. A bill providing for temporary controls of certain increases in utility rates; to the Committee on Interstate and Foreign Commerce.

By Mrs. GRASSO:

H.R. 14241. A bill to amend title 5, United States Code, to correct certain inequities in the crediting of National Guard technician service in connection with civil service retirement, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. HANNA:

H.R. 14242. A bill to establish an institute under the permanent chairmanship of the National Science Foundation to facilitate the transfer to certain less developed countries of U.S. discoveries, inventions, and research developments (including satellite applications thereof) in science and technology, and for other purposes; to the Committee on Science and Astronautics.

By Mr. HECHLER of West Virginia:

H.R. 14243. A bill to further the conduct of research, development, and demonstrations in geothermal energy technologies, to establish a geothermal energy coordination and management project, to amend the National Science Foundation Act of 1950 to provide for the funding of activities relating to geothermal energy, to amend the National Aeronautics and Space Act of 1958 to provide for the carrying out of research and development in geothermal energy technology, to carry out a program of demonstrations in technologies for the utilization of geothermal resources, and for other purposes; to the Committee on Science and Astronautics.

By Mr. LITTON (for himself, Mr. FRASER, Mr. HUDNUT, Mr. VEYSEY, Mr. STUBBLEFIELD, Mr. BURLESON of Texas, Mr. KEMP, Mr. WHITEHURST, Mr. EVANS of Colorado, Mr. DAN DANIEL, Mr. ROUSH, Mr. ALEXANDER, Mr. LAGOMARSINO, Mr. CHARLES WILSON of Texas, Mr. WHITE, Mr. HARRINGTON, Mr. FASCELL, Mr. DENHOLM, Mr. WALSH, Mrs. BURKE of California, Mr. FROEHLICH, and Mr. GUDE):

H.R. 14244. A bill to amend the Occupational Safety and Health Act of 1970 to provide that the Administration of the Small Business Administration may render onsite consultation and advice to certain small business employers to assist such employers in providing safe and healthful working conditions for their employees; to the Committee on Education and Labor.

By Mr. McCORMACK (for himself, and Mr. FOLEY):

H.R. 14245. A bill to amend the Occupational Safety and Health Act of 1970 to provide additional assistance to small employers; to the Committe on Education and Labor.

By Mr. McFALL:

H.R. 14246. A bill to establish an Energy Management and Conservation Corporation, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. MELCHER (for himself, Mr. ALEXANDER, Mr. BERGLAND, Mrs. BURKE of California, Mrs. CHISHOLM, Mr. CULVER, Mr. DAVIS of South Carolina, Mr. DE LUGO, Mr. DENHOLM, Mr. EDWARDS of California, Mr. FRASER, Mr. FULTON, Mrs. GRIFFITHS, Mr. HARRINGTON, Mr. HICKS, Mr. HORTON, Mr. ICHORD, Mr. JONES of North Carolina, Mr. McSPADDEN, Mr. MARTIN of North Carolina, Mr. MATHIS of Georgia, Mr. MATSUNAGA, Mr. MEEDS, Mr. MEZVINSKY, and Mr. MOAKLEY):

H.R. 14247. A bill to amend the Food Stamp Act of 1964, as amended, and for other purposes; to the Committee on Agriculture.

By Mr. MELCHER (for himself, Mr. MORGAN, Mr. OBEY, Mr. PODELL, Mr. RODINO, Mr. RONCALIO of Wyoming, Mr. ST GERMAIN, Mr. SANDMAN, Mr. SEBELIUS, Mr. JAMES V. STANTON, Mr. STOKES, Mr. TAYLOR of North Carolina, Mr. TIERNAN, Mr. VANDER VEEN, Mr. CHARLES WILSON of Texas, Mr. YATRON, and Mr. YOUNG of Georgia):

H.R. 14248. A bill to amend the Food Stamp Act of 1964, as amended, and for other purposes; to the Committee on Agriculture.

By Mr. MINISH:

H.R. 14249. A bill to provide, in cooperation with the States, benefits to individuals who are totally disabled due to employment-related respiratory disease and to surviving dependents of individuals whose death was due to such disease or who were totally disabled by such disease at the time of their deaths, and to create a nationwide register of persons exposed to disease producing risks in their employment; to the Committee on Education and Labor.

By Mr. RAILSBACK:

H.R. 14250. A bill to amend the Internal Revenue Code of 1954 to increase to $1,200 the personal income tax exemptions of a taxpayer (including the exemption for a spouse, the exemptions for dependents, and the additional exemptions for old age and blindness); to the Committee on Ways and Means.

By Mr. RARICK (for himself and Mrs. BURKE of California):

H.R. 14251. A bill to amend title XI of the Social Security Act to repeal the recently added provision for the establishment of professional standards review organizations to review services covered under the medicare and medicaid programs; to the Committee on Ways and Means.

By Mr. REID:

H.R. 14252. A bill to amend title XVI of the Social Security Act to provide for emergency assistance grants to recipients of supplemental security income benefits, to authorize cost-of-living increases in such benefits and in State supplementary payments, to prevent reductions in such benefits because of social security benefit increases, to provide reimbursement to States for home relief payments to disabled applicants prior to determination of their disability, to permit payment of such benefits directly to drug addicts and alcoholics (without a third-party payee) in certain cases, and to continue on a permanent basis the provision making supplemental security income recipients eligible for food stamps; to the Committee on Ways and Means.

By Mr. RINALDO:

H.R. 14253. A bill to amend section 213 of the Regional Rail Reorganization Act of 1973 to prohibit certain Federal assistance to any railroad in reorganization until all indebtedness of such railroad for taxes due and payable to any unit of State or local government has been satisfied or discharged in full; to the Committee on Interstate and Foreign Commerce.

By Mr. ROYBAL (for himself and Mrs. BURKE of California):

H.R. 14254. A bill to regulate commerce by assuring adequate supplies of energy resource products will be available at the lowest possible cost to the consumer, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. ROGERS:

H.R. 14255. A bill to amend the Small Business Act to provide for loans to small business concerns affected by the energy shortage; to the Committee on Banking and Currency.

By Mr. ROONEY of Pennsylvania:

H.R. 14256. A bill to establish the Office of General Counsel to the Congress, and for other purposes; to the Committee on House Administration.

By Mr. ROUSSELOT:

H.R. 14257. A bill to amend the Export-Import Bank Act of 1945 to strengthen the oversight role of Congress with respect to the extension of credit by the Bank, and for other purposes; to the Committee on Banking and Currency.

By Mr. ROY (for himself, Mr. BERGLAND, Mr. BRECKINRIDGE, Mr. BROOKS, Mr. BROWN of California, Mrs. BURKE of California, Mr. BURLESON of Texas, Mr. DAVIS of South Carolina, Mr. FROEHLICH, Mr. HUNGATE, Mr. ICHORD, Mr. JOHNSON of California, Mr. McSPADDEN, Mr. MORGAN, Mr. OBEY, Mr. PREYER, Mr. QUIE, Mr. RIEGLE, Mr. RONCALIO of Wyoming, Mr. STEIGER of Wisconsin, and Mr. STUBBLEFIELD):

H.R. 14258. A bill to require the establishment of an agricultural service center in each county of a State as part of the implementation of any plan for the establishment of such centers on a nationwide basis; to the Committee on Agriculture.

By Mr. SARASIN:

H.R. 14259. A bill to amend the Emergency Petroleum Allocation Act of 1973 to provide worker assistance to any individual unemployed because of the administration and enforcement of such act, and for other purposes; to the Committee on Interstate and Foreign Commerce.

H.R. 14260. A bill to amend the Regional Rail Reorganization Act of 1973 to allow adequate time for citizen participation in public hearings, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. SARASIN (for himself, Ms. ABZUG, Mr. BURKE of Florida, Mrs. BURKE of California, Mr. BOLAND, Mr. CRONIN, Mr. DONOHUE, Mr. DRINAN, Mr. FORSYTHE, Mrs. GRASSO, Mr. GUNTER, Mr. HORTON, Mr. LOTT, Mr. McKINNEY, Mr. MOAKLEY, Mr. PREYER, Mr. ROE, Mr. J. WILLIAM STANTON, Mr. STEELE, Mr. TIERNAN, and Mr. WHITEHURST):

H.R. 14261. A bill to amend the Emergency Petroleum Allocation Act of 1973 to authorize and require the President of the United States to allocate plastic feedstocks produced from petrochemical feedstocks, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. SCHERLE:

H.R. 14262. A bill to amend the Internal Revenue Code of 1954 to provide income tax simplification, reform, and relief for small business; to the Committee on Ways and Means.

By Mrs. SCHROEDER (for herself, Mr. EDWARDS of California, Mr. STARK, Mr. STOKES, Mr. CHARLES H. WILSON of California, Mr. METCALFE, and Mr. DENT):

H.R. 14263. A bill to amend the Internal Revenue Code of 1954 to provide for an increase in the amount of the personal exemptions for taxable years beginning after December 31, 1973; to the Committee on Ways and Means.

By Mr. SEIBERLING:

H.R. 14264. A bill to amend title 39, United States Code, to eliminate certain restrictions on the rights of officers and employees of the U.S. Postal Service, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. SPENCE:

H.R. 14265. A bill to direct the head of each executive agency to issue regulations which require that a telephone number for such agency or major subdivision thereof be included on all letterhead stationery utilized by such agency or major subdivision; to the Committee on Government Operations.

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

H.R. 14266. A bill to amend the Federal Aviation Act of 1958 to deal with discriminatory and unfair competitive practices in international air transportation, and for other purposes; to the Committee on Interstate and Foreign Commerce.

H.R. 14267. A bill to amend the Comprehensive Drug Abuse Prevention and Control Act of 1970 to provide appropriations to the Drug Enforcement Administration on a continuing basis; to the Committee on Interstate and Foreign Commerce.

By Mr. STEELE:

H.R. 14268. A bill to provide additional financial assistance for educational, biological, technological, and other research programs pertaining to U.S. fisheries; to the Committee on Merchant Marine and Fisheries.

H.R. 14269. A bill to provide additional financial assistance for educational, biological, technological, and other research programs pertaining to U.S. fisheries; to the Committee on Merchant Marine and Fisheries.

By Mr. WAGGONNER:

H.R. 14270. A bill to amend title XI of the Social Security Act to repeal the recently added provision for the establishment of professional standards review organizations to review services covered under the medicare and medicaid programs; to the Committee on Ways and Means.

By Mr. WALDIE:

H.R. 14271. A bill to amend title 5, United States Code, to reduce from 12 to 5 years the creditable service requirements under the Federal employees group life and accidental death and dismemberment insurance and health benefits programs, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. WINN (for himself and Mr. CLEVELAND):

H.R. 14272. A bill to authorize the Administrator of the National Aeronautics and Space Administration to conduct research and development programs to increase knowledge of tornadoes, hurricanes, large thunderstorms, and other types of short-term weather phenomena, and to develop methods for predicting, detecting, and monitoring such atmospheric behavior; to the Committee on Science and Astronautics.

By Mr. ANDERSON of California:

H.J. Res. 978. Joint resolution to prohibit the Bureau of Labor Statistics from instituting any revision in the method of calculating the Consumer Price Index until such revision has been approved by resolution by either the Senate or the House of Representatives of the United States of America; to the Committee on Education and Labor.

By Mr. BAUMAN (for himself, Mr. BYRON, Mr. GUDE, Mr. HOGAN, Mrs. HOLT, Mr. MITCHELL of Maryland, Mr. BUTLER, Mr. BROYHILL of Virginia, Mr. ROBERT W. DANIEL, JR., Mr. DAN DANIEL, Mr. DOWNING, Mr. PARRIS, Mr. ROBINSON of Virginia, Mr. SATTERFIELD, Mr. WAMPLER, Mr. WHITEHURST, and Mr. DU PONT):

H.J. Res. 979. Joint resolution granting consent of the Congress that the State of Maryland, the State of Delaware, and the Commonwealth of Virginia, and other States, negotiate and enter into a compact providing for joint participation in the more efficient use of the waters of the Chesapeake Bay and its tributaries; to the Committee on the Judiciary.

By Mr. WALDIE:

H.J. Res. 980. Joint resolution to authorize the President to issue a proclamation designating the month of May 1974, as National Arthritis Month; to the Committee on the Judiciary.

By Mr. RANDALL:

H. Con. Res. 478. Concurrent resolution to express the sense of Congress that legislation be enacted to control and reverse inflationary trends and that an effective agency be created to administer such controls; to the Committee on Banking and Currency.

By Mr. BROWN of Michigan:

H. Res. 1034. Resolution amending rule XIII of the rules of the House to require reports accompanying each bill or joint resolution of a public character (except revenue measures) reported by a committee to contain estimates of the costs, to both public and nonpublic sectors, of carrying out the measure reported; to the Committee on Rules.

By Mr. DUNCAN:

H. Res. 1035. Resolution in support of continued undiluted U.S. sovereignty and jurisdiction over the U.S.-owned Canal Zone on the Isthmus of Panama; to the Committee on Foreign Affairs.

By Mr. OWENS:

H. Res. 1036. Resolution providing for television, radio, and still photography coverage of open meetings of the House Committee on the Judiciary regarding impeachment of the current President of the United States; to the Committee on Rules.

By Mr. QUIE (for himself and Mr. TREEN):

H. Res. 1037. Resolution creating a select committee to study the impact and ramifications of the Supreme Court decisions on abortion; to the Committee on Rules.

By Mr. WAGGONNER (for himself, Mr. FLOOD, Mr. CRANE, Mr. BLACKBURN, and Mr. YATRON):

H. Res. 1038. Resolution in support of continued undiluted U.S. sovereignty and jurisdiction over the U.S.-owned Canal Zone on the Isthmus of Panama; to the Committee on Foreign Affairs.

By Mr. WALSH:

H. Res. 1039. Resolution requiring the administration of an oath to each Member of the House prior to the consideration of any resolution of impeachment; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. BURTON:

H.R. 14273. A bill for the relief of Salomon Liebermann; to the Committee on the Judiciary.

By Mrs. MINK:

H.R. 14274. A bill for the relief of Angelina R. Aying; to the Committee on the Judiciary.

SENATE—*Thursday, April 11, 1974*

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

PRAYER

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

Almighty God who has brought us to this holy season, set the eyes of our faith upon the cross that we may see its meaning in history, its meaning for our world, and its meaning for our own lives. May the spirit of the self-giving Saviour enter our homes, our cities, our Nation with forgiveness and healing. Bless us in our work that we may further Thy coming kingdom of truth and justice and holiness. Bring us to the day of resurrection with a new heart and mind and soul, ready to serve Thee more perfectly and walk in the way of Thy law.

We pray in His name who is the resurrection and the life. Amen.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Wednesday, April 10, 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.

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate turn to the consideration of Calendars Nos. 747 and 749.

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

ADVISORY NEIGHBORHOOD COUNCILS IN THE DISTRICT OF COLUMBIA

The bill (H.R. 12109) to amend the District of Columbia Self-Government and Governmental Reorganization Act to clarify the provision relating to the referendum on the issue of the advisory neighborhood councils, was considered, ordered to a third reading, read the third time, and passed.

ENVIRONMENTAL EDUCATION AMENDMENTS OF 1974

The Senate proceeded to consider the bill (S. 1647) to extend the Environmental Education Act for 3 years, which had been reported from the Committee on Labor and Public Welfare with an amendment, to strike out all after the enacting clause and insert:

That this Act may be cited as the "Environmental Education Amendments of 1974".

SEC. 2. Section 3(c)(1) of the Environmental Education Act (20 U.S.C. 1532) is amended by adding at the end thereof the following new sentence: "Notwithstanding section 448(b) of the General Education Provisions Act, the Advisory Council shall continue to exist until July 1, 1977.".

SEC. 3. Section 7 of such Act is amended by striking out "and" after "1972," and by inserting after "1973" a comma and the following: "$5,000,000 for the fiscal year ending June 30, 1975, $10,000,000 for the fiscal year ending June 30, 1976, and $15,000,000 for the fiscal year ending June 30, 1977.".

SEC. 4. Section 2(b) of such Act is amended by inserting after "maintain ecological balance" the following: "while giving due consideration to the economic considerations related thereto".

SEC. 5. Section 3(b)(2) of such Act is amended by inserting after "technology," the following: "economic impact,".

SEC. 6. Section 3(c)(1) of such Act is further amended by inserting "economic," after "medical,".

The amendment was agreed to.

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